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# NATION'S BUSINESS



A Business Ever Booming—PAGE 11

JULY • 1940

# "I SEE what you mean —by TELETYPE!"

WHEN distances are long, time short, and orders complicated, *modern business talks in type.*

Bell System Teletypewriter Service is two-way. It transmits all kinds of messages, any distance, instantly, in typewritten form. Every word exchanged is automatically recorded in black and white at all points of contact. Misunderstandings are eliminated, errors minimized, customer service speeded up. Carbons help simplify routine.

If speed is part of your communication problem, the teletypewriter may be the answer to it. A Bell System representative will gladly tell you about the service, and how it may be used to flash information on your own company forms. Call him through your local telephone office.



## BELL SYSTEM TELETYPEWRITER SERVICE



DETROIT CALLING  
ST LOUIS  
GIVE US SPECIFICATIONS  
FOR JOB 86374 AT ONCE  
BROWN

RE Y QUERY, WIDTH IS

SMITH PHILA CALLING  
NEW YORK  
HAVE YOUR ORDER TO  
SHIP 6 CARLOADS OF  
NUMBER 5 TODAY

ALBER  
PHILA

BOSTON CALLING CHICAGO  
NEED 2 SEATS, JONES AND  
BROWN, FLIGHT ONE TO  
LOS ANGELES 7-4  
SMITH

CAN YOU  
SHIP JONES  
COMPANY  
ORDER TO G.  
M. WILBUR,  
PHILA.  
TONIGHT

Shake Hands with  
Our Contributors

NATIONAL defense and preparedness have become a first order of business. Time was when geographical factors; foreign policies of our own and other nations; the once prevalent idea that 1,000,000 defenders would spring to arms overnight; and a cordial dislike for anything that remotely resembled a powerful military influence tended to deaden any great interest in a large standing army. The Navy has been kept up to an equality with other major powers because it was recognized as our first line of defense and an instrument that would give a breathing spell to recruit and organize our internal defense if need should arise. The idea of a standing army even faintly comparable to the armies of Europe is something new. Few business men are aware of the gigantic task involved in a preparedness program that would make the military forces ready for immediate combat yet the efficiency of the armed forces depends not only upon leadership, but upon the capacity of business men to supply the necessary equipment.

NATION'S BUSINESS asked **Herbert Corey**, contributor of the monthly feature, "Washington and Your Business" to report on some of the tasks confronting industry in helping to work out a national defense program.

Coincidental with supplying material for soldiers and sailors comes the question of digging up funds to pay the bill. **Herbert M. Bratter**, formerly senior economic analyst in the U. S. Treasury Department, explores the financial problem.

**Helen Morgan** is a native Californian who started a writing career with the San Francisco *Examiner* in 1932. Since then she has represented several New York City papers, served as a European correspondent and is author of a book on food allergy entitled, "You Can't Eat That."

**William H. Kelty** is with the Associated Industries of Minneapolis, and, in his capacity with that organization, has had first hand experience with both employers and employees in dealing with the Fair Labor Standards Act.

**Francis X. Welch** is a Washington correspondent for *Telephony* whose duties keep him in close touch with the F.C.C. and the communications industries.

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**Thomas C. Boushall** is president of the Morris Plan Bank of Virginia.

The Case for Advertising is the sixth in a series of special articles prepared by NATION'S BUSINESS staff on fields of free enterprise that have been attacked by critics who would have the Government apply more drastic controls.

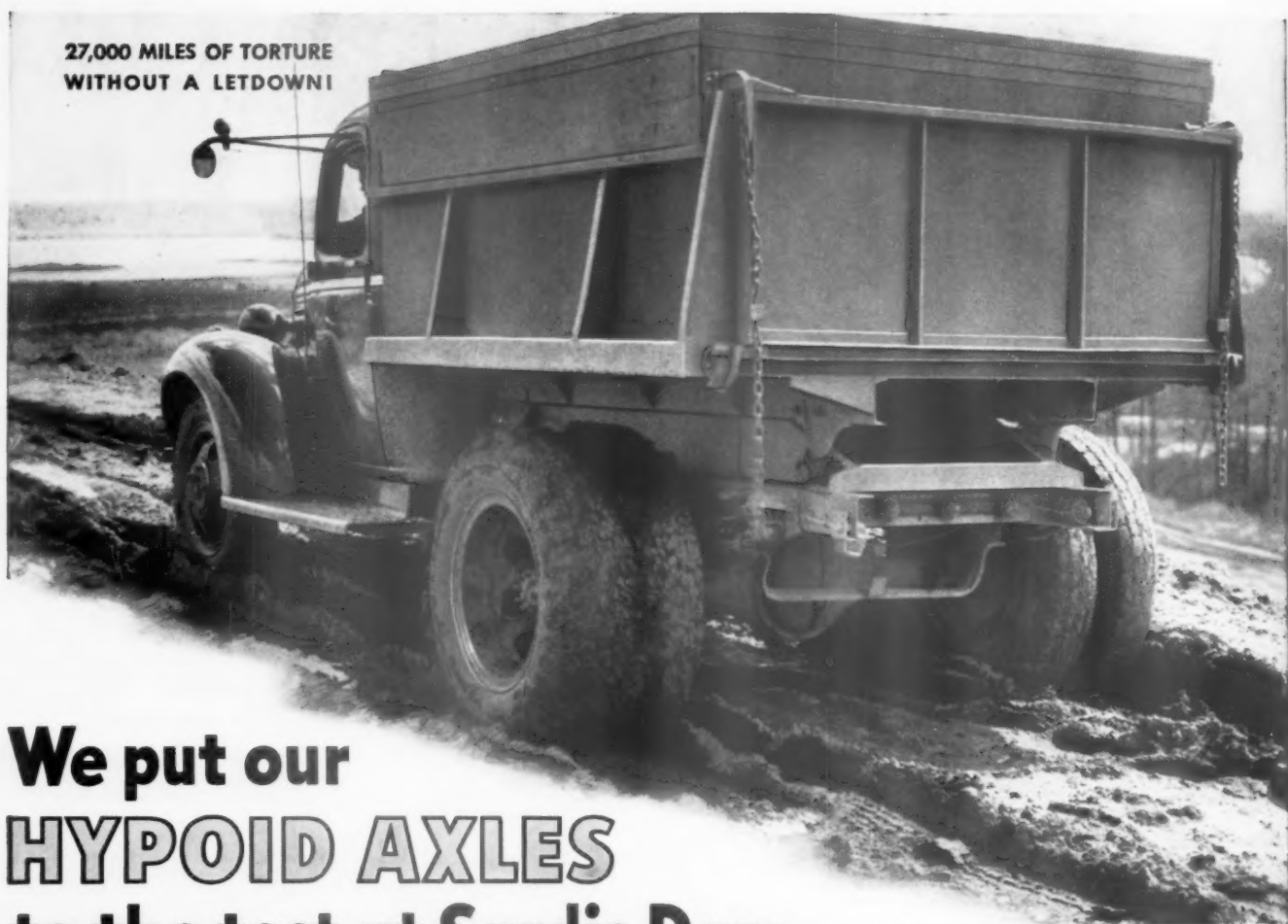
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27,000 MILES OF TORTURE  
WITHOUT A LETDOWN!

## We put our HYPOID AXLES to the test at Sardis Dam .. *and look what happened!*

Down in Mississippi, at the Sardis Dam, Chevrolet found a truck proving ground that was death on rear axles. Millions of yards of gravel had to be moved, and moved fast. Trucks were carrying six-ton loads over a rutted road, up a quarter-mile 24 per cent grade.

No truck can take that kind of punishment indefinitely—and rear axles suffered a high mortality.

Chevrolet engineers eagerly accepted the challenge. They yanked the bevel-gear axles out of two 1939 Heavy Duty trucks, and installed Chevrolet's new 1940 hypoid-gear rear axles.

What happened? Conventional axles were having trouble on an average of every 7,725 miles—but these 1940 hypoids did 27,000 miles without a failure. That was proof enough for our engineers. They brought those axles to Detroit, and found them still good for more thousands of miles.

Few trucks have to take such a beating as these two Chevrolet trucks took. But Chevrolet engineering demands that its trucks shall have extraordinary reserve strength. So—today—all new 1940 Chevrolet trucks have this vastly stronger, more efficient, and longer-lived rear axle. Hypoid means low costs.



From the gravel pit to Sardis Dam are ten miles of rough going and steep grades. Here Chevrolet's 1940 hypoid-gear rear axles proved their superiority over spiral-bevel-gear axles.



LEFT . . . NEW  
HYPOID PINION



RIGHT—CONVENTIONAL  
SPIRAL BEVEL PINION

These two drive pinions fit the same size ring gear—yet the hypoid pinion is 53.6% heavier, and has 37% greater tooth contact and 20% lower tooth pressure.

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICH.

# CHEVROLET TRUCKS



## Checked and O.K'd by UNCLE SAM!



Norfolk and Western scales—ranging from huge track scales with capacities of hundreds of thousands of pounds to delicate precision scales that measure exactly the fractional part of a grain—are always kept in faultless condition. All N. & W. scales are checked regularly with the railway's Plate-Fulcrum *Master Scale*—one of only three in the United States. In turn, the *Master Scale* is checked regularly by experts of the United States Bureau of Standards and put under government seal. Thus, your freight is weighed with precision. It is handled with care and moved on time-saving schedules when shipped over the Norfolk and Western Railway... the route between the Midwest and the Virginias and Carolinas, and between the North and the South. Specify the Norfolk and Western for Precision Transportation.



**NORFOLK  
AND  
WESTERN  
RAILWAY**  
*Precision Transportation*  
(COPY 1940 N. & W. RY.)

## Through the EDITOR'S SPECS

### "Did you say planes?"

THE HUNS are Coming!

What About Java and Sumatra?

Mothers' Parachutist-Extermination Brigades.

50,000 War Planes.

Headlines scream, ether waves dance. Statesmen reach for their "mikes" while generals and admirals gravely shake their heads. Preparedness is reduced to a formula in which X represents annual production of bombers and pursuit planes. Airplane manufacturers are called to Washington, photographed for all the newsreels in attitudes of concord with the statesmen—and then dismissed.

Out of this confusion of tongues suddenly comes a clear, confident note from a business man whom these same distracted statesmen have been trying to fling to the wolves.

"If it became necessary," says Henry Ford, his company itself could within six months "swing into production of 1,000 airplanes of standard design a day." But the manufacturer adds two conditions: "with the counsel of men like Lindbergh and Rickenbacker, under our own supervision and without meddling by government agencies."

What Mr. Ford can do other manufacturers can do. His direct assertion clears the air and makes a complex problem, if not simple, at least soluble.

If you want to have brick laid, the best way is still to get bricklayers to do it, and let them mix their own mortar.

### Most embarrassing moment

JUDGE not by outside appearance. Even business deserves more than that.

We're thinking of the recent very embarrassing predicament of a Kingston, N. Y., grocer. He had arranged a tie-up with a local movie house for a grocery night. Customers of the store were given slips to be filled out with their names and dropped into a box in the theater. Winner of the

drawing was to get \$25 worth of groceries.

On the big night of course all the store's customers were at the show. From the stage an usher drew a name and read it to the breathless audience. The name was that of the grocer's wife! A near riot followed until the theater manager rushed into the breach and drew another name.

Key to the mystery was the grocer's small boy. He had picked up one of the slips at the store, filled in his mother's name and dropped it in the box, just for fun.

### Peaks in W.P.A. Business

EXPOSURE of waste and political ward heeling in the W.P.A. a year or so ago failed to purify that great implement of social betterment. Further congressional investigation continues to uncover a smell reminiscent of limburger and overripe eggs. The revelations could not be reviewed adequately in 32 pages of this journal. We have space here to call attention only to a single peculiarity.

The investigators were curious about travelling expenses of this agency—an item that adds up to \$45,000,000 for the past five years. As an example, they found that one deputy commissioner alone spent \$17,730 in that period. That's possible, of course. The skeptics just wondered how this man could have had public business that took him to Louisville, Ky., on government expense at the very time of the Kentucky Derby for four years in succession. He also had official business in New Orleans coincident with four annual Sugar Bowl football classics.

Then there was the assistant commissioner who has gone to Florida six times, always in mid-winter, and twice to Indianapolis coincident with the Memorial Day Races. And the Indiana State Administrator whose office is at Indianapolis and his home at Evansville. He found it necessary to go to Evansville at government expense 72 times in 28 months, "to confer with the district officials" at Evansville. He

... I didn't know that cast iron pipe saved taxes

COLLECTOR



**T**HAT'S a fact, Henry. When we installed cast iron water mains here 75 years ago, the Town Board did a good turn for the taxpayer. Your taxes are lower today because those cast iron mains are still on the job and will be for a full century or more."



Unretouched photograph of a century-old cast iron water main which is still serving and saving money for the taxpayers of Detroit.



Cast iron pipe has a *proved* useful life at least double the *estimated* life of other pipe materials used for water mains. It is the only ferrous metal pipe practicable for water, gas and sewer mains, that rust does not destroy. Made in sizes from 1¼ to 84 inches.

**PUBLIC TAX SAVER  
NUMBER ONE**

# CAST IRON PIPE

THE CAST IRON PIPE RESEARCH ASS'N, T. F. WOLFE, RESEARCH ENGINEER, PEOPLES GAS BLDG., CHICAGO

also had official business at French Lick on the identical occasion of seven political rallies at that resort (obviously in line of duty), besides two Kentucky Derbies at Louisville and one World's Series in Chicago.

Of course we are not forgetting the factor of coincidence in explaining phenomena like these. We only suggest that with fewer coincidences of this sort the heads of the Government might not now find it necessary to ask that the statutory debt limit be raised to find the money to build warplanes and battleships.

## Indian ingratitude

THE NAVAJO Indian tribe of New Mexico has made a strenuous protest to Senator Chavez of that state against some of the regulations imposed on them by Commissioner of Indian Affairs John Collier. If what they allege is true, the Government seems to have launched a Kulak hunt among the red men.

This petition says the Commissioner has limited the number of livestock the Navajos may possess, to a point that is destroying their right to make their own living. The excuse for this regulation is protection of the ranges. Orders from the U. S. Indian agency at Window Rock, N. M., are said to prescribe that a family must keep only five sheep, five goats, one horse and one cow. "The old folks will have no stock," says the petition. They must live on relief.

No doubt many of the underprivileged third of the braves are not disturbed by these controls. But it's tough on the bourgeoisie with the acquisitive instinct to own eight goats and two horses. Nor, apparently, is forced retirement and security for all grandfathers relished.

Social anthropologists will be interested in this tendency of a primitive people to manifest the same "atavistic" traits of successful farmers and industrialists.

## To pay or not to pay

THE WORLD is full of persons who never worry about their debts until the due date and a sharp collection letter or a notice of foreclosure brings the matter of payment forcibly to their attention. This trait is even more pronounced among people collectively than individually. Only economists, financiers and conscientious statesmen ever lose sleep over public debts.

But public debts, like personal debts, eventually must be either paid or repudiated. Americans ought to be deciding which it will be—trying earnestly to pay or weighing the heavy consequences of not paying.

In that excellent little book, "Smoke



Screen," former Representative Pettengill of Indiana offers a solemn word of warning. Right now, he reminds a nation talking in terms of many more billions for neglected defense, the national debt alone is a mortgage of 34 per cent on the assessed valuation of every piece of real and personal property in the country.

If the total state debt is added, Mr. Pettengill remarks that "It must be something of a shock to the farmer in the Illinois corn belt to realize that his farm has an invisible and unrecorded first mortgage against it of 68 per cent of its assessed value." And that isn't the worst of it. Property owners of Arkansas, Florida and South Carolina can contemplate a mortgage on their holdings equal to 190 per cent of their assessed valuation!

If the people in those states expect to pay their own public debts and their proper share of the national debt they face a situation perilously akin to public bankruptcy.

### No sympathy wanted

A HIGH recommendation for any business is that its employees themselves use the products that they are engaged in producing and marketing. Many companies boast this testimonial. But the Minneapolis Artificial Limb Co. is a bit different. Every one of its 133 employees, both in the factory and on the sales staff, is physically handicapped and wears one or more of the company's artificial appliances.

Some of them were sent to the factory by state agencies for vocational training and remained to take permanent jobs.

Ray Trautman, head of the firm, takes a great pride in his work as a "mender of men." He will tell you that 3,500 crippled veterans of the World War wear his appliances. Even with peace prevailing in this country some 500 Americans every month lose legs or arms through disease or accident. If we were at war, any estimate of the domestic market for arms and legs would be a gruesome figure.

When properly equipped with an artificial limb, the average handicapped person loses no more than one per cent of his efficiency, says Mr. Trautman.

In examining a photograph of his factory force lined up in front of the plant, one must look very sharply to observe any evidence that they are not in every way normal.

### A case for the legislature

A TAVERN operator in Texarkana, Ark., who believed in trying anything once experimented by offering the

**HARTFORD STEAM BOILER** safeguards a preponderant part of America's insured power equipment; and shop-inspects more than 90% of the nation's industrial-power boilers during their construction. This pioneer Company leads all others

**"That's All I Want to Know!"**

**LEADERSHIP.** Whether in choosing a product or enlisting a service, there is no safer guide than the position in its field of the company sponsoring it. Leadership not only implies but *demands* superiority. Among astute business men, leadership is a convincing recommendation in itself.

Seventy-four years of SPECIALIZATION — of thorough understanding — of superior service in the inspection and insurance of power equipment... sum up for Hartford Steam Boiler a

leadership which is decisively evidenced in the terse statement of facts at the top of this advertisement.

Do you need to know more to help you decide where your boilers, engines, turbines, pressure vessels or electric generators will have the protection of the utmost in mechanical inspection and the soundest of financial insurance against costly business-crippling accidents?

Ask your agent or broker for supporting facts.

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY**

HARTFORD, CONNECTICUT







## Ready to Speed National Defense!



**E**VERY loyal American wants to see his country prepared to meet any emergency—and a strong nation needs strong railroads.

The very size of the United States and the need for mass movement of men and supplies over long distances make railroads the foundation of national defense, as well as of our normal transportation system. Other forms of transport which ordinarily haul about one-third of our commerce supplement the railroads, but cannot take their place.

So it's sensible to ask, how is the nation's No. 1 transportation set for doing its job?

And a compact answer to that question is:

*In speed and operating efficiency the American railroads today are at the highest peak in their history.*

That's a strong statement. Here are the facts—

The average speed of freight trains today is 62 per cent higher than in 1920, at the close of the first World War period. Today, each freight train actually performs more than twice as much transportation service as twenty years ago.

Operating efficiency was tested and proved between August and October 1939, when the railroads handled *the biggest increase in traffic ever recorded in so short a stretch of time*—and handled it with such smoothness and skill that in the busiest week there was a daily average of 64,299 surplus freight cars in good order and ready for duty.

All this didn't just happen. Despite lean years railroads have recognized and met their obligation to keep fit. Heavier rails have been laid, better equipment has been developed, new terminal facilities have been installed, literally billions of dollars have been put into better and more efficient plant and equipment.

In the operating end, new methods have been developed for having cars available for loading whenever and wherever freight is ready to move—and for sorting and speeding freight cars through classification yards at a rate as high as 1 car in every 12 seconds.

And as an example of

how the railroads are equipping themselves to handle increased traffic, consider this fact: In the first six months of 1940, they placed in service more new freight cars than in any like period in the past ten years.

All of which shows that railroad men know their business—and are awake to their responsibilities.

As an essential arm of national defense the railroads should be strengthened and supported by sound and impartial public transportation policies.

★ ★ ★

**TRAVEL AMERICA — by Rail**

See your ticket agent about Grand Circle Tour!



public curb service by comely girls dressed in tights and wearing satin blouses. At one stroke he reaffirmed an old truth and established a unique case of jurisprudence.

Texarkana men liked the idea so well that the tavern's business increased by no less than 700 per cent. But the women were so emphatically opposed that they had the proprietor arrested.

When the case came to court trial had to be postponed because the prosecutor couldn't find any statute that had been violated.

No later information is available as we go to press. In the absence of advice to the contrary this seems to be the first case on record in recent years when no law could be unearthed to cover an alleged offense.

### Honor is still bright

IVER C. ANDERSEN, Lake Benton, Minn., farmer, has found that when you put people on their honor you can trust them about 97 per cent of the time, at least the motoring public. He is the owner of the Honeyteria at the junction of U. S. Highway 75 and Minnesota trunk highway six.

Bees fly in and out of a roadside hive and a sign says "Honeyteria—take the honey, leave the money." A big earthen jar with some silver for change is the money receptacle. Andersen has been marketing his honey in this manner for ten years. In peak seasons his roadside trade will run as much as \$100 a month and "invisible credit" losses do not exceed three per cent.

Mr. Andersen says that, on the advice of a relative, he once experimented with a padlocked box with slots instead of the open money jar. Sales fell off immediately and customers cheated by feeding pennies into the slots. It was clear that they resented the change.

Not every business can adopt the Honeyteria method but all can and should be careful about those little things that indicate distrust of customers.

The customer is a touchy individual. He likes to be flattered, even in the matter of his integrity.

### Let's have a new bureau

FEDERAL Trade Commission "don't's" have become as numerous as "No Parking" signs. The Commission has hung so many "verbotens" on cosmetic advertising that the Toilet Goods Association found it necessary to publish a summary for the guidance of its members. The list is formidable. It includes all such phrases as:

Rejuvenate the skin

Revitalize the tissues  
Penetrate the outer layers of the skin  
Withdraw toxins from the skin

Maybe it is necessary that the innocent consumer be protected from all these beauty lures. We wouldn't know. But it does suggest the pregnant possibilities of another commission, the F.P.C. (Federal Political Commission) to pass upon advertising claims of the Bureau Boys. It might start by investigating the truthfulness of such advertising slogans as:

Diminishes the causes of labor disputes  
New hope for the underprivileged  
Fiscal deficits balanced by social assets  
Increases mass purchasing power  
A balanced budget next year  
The More Abundant Life  
More money and less work  
Parity prices for the farmer  
Protect the investor from the consequences of his folly  
Spend to save

### A business ever booming

BUSINESS of making and setting off fireworks is one of oldest American customs.

What began in 1776 with firing of guns and ringing of bells has provided occasion and opportunity for development of sizable industry. Capital invested in pyrotechnic plants is currently figured at \$15,000,000, value of products for last five years at about \$5,000,000 a year.

Distribution is through jobbers who sell to local merchants. National advertising by some firms has stimulated mail order outlets. New designs come in the main from producers' own designers, from retailers who pass on suggestions issuing from customer contacts. Year-to-year differences in basic items are slight. Color and form are varied to accent new eye appeal as sales tonic.

Standbys of the business are Fourth of July and Christmas holidays, and an ever dependable crop of citizens who believe in celebrating events with a bang. Volume consumers include festivals and fairs, civic observances and political rallies. Safety of products in hands of users is industry's watchword. Idea of expressing patriotism with sound effects was imperishably phrased by John Adams. To his wife he expressed his belief that the events in July 1776 would constitute

\*\*\* the most memorable epoch in the history of America. I am apt to believe that it will be celebrated by succeeding generations as the great anniversary festival. It ought to be commemorated as the day of deliverance, by solemn acts of devotion to God Almighty. It ought to be solemnized with pomp and parade, with shows, games, sports, guns, bells, bonfires, and illuminations, from one end of the continent to the other, from this time forward forevermore.

## NO TWO WAYS HERE

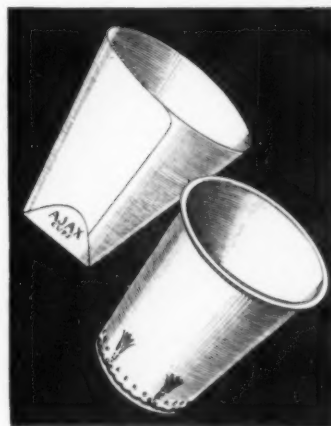


### PAPER CUPS FOR BOTH

Wise management recognizes that there are no TWO WAYS about matters affecting personal comfort and cleanliness. Both customer and employee like to drink water with calm deliberation, in a natural position, from a clean paper drinking cup.

That's one reason why employers are installing AJAX or AERO sanitary paper drinking cups "in back" as well as "out front." Another reason is reflected in less time out for sickness, for the unique thrifty AJAX and the crisp round, flat bottom AERO cups come clean!

Any type of drinking fountain can easily be equipped so that cups can be used.



#### SPECIAL OFFER

Send \$1 for handsome metal wall cabinet and a complete filling of cups, shipped prepaid anywhere in the United States. State whether AJAX or AERO. Address Dept. B7, nearest Division.

### AJAX AND AERO

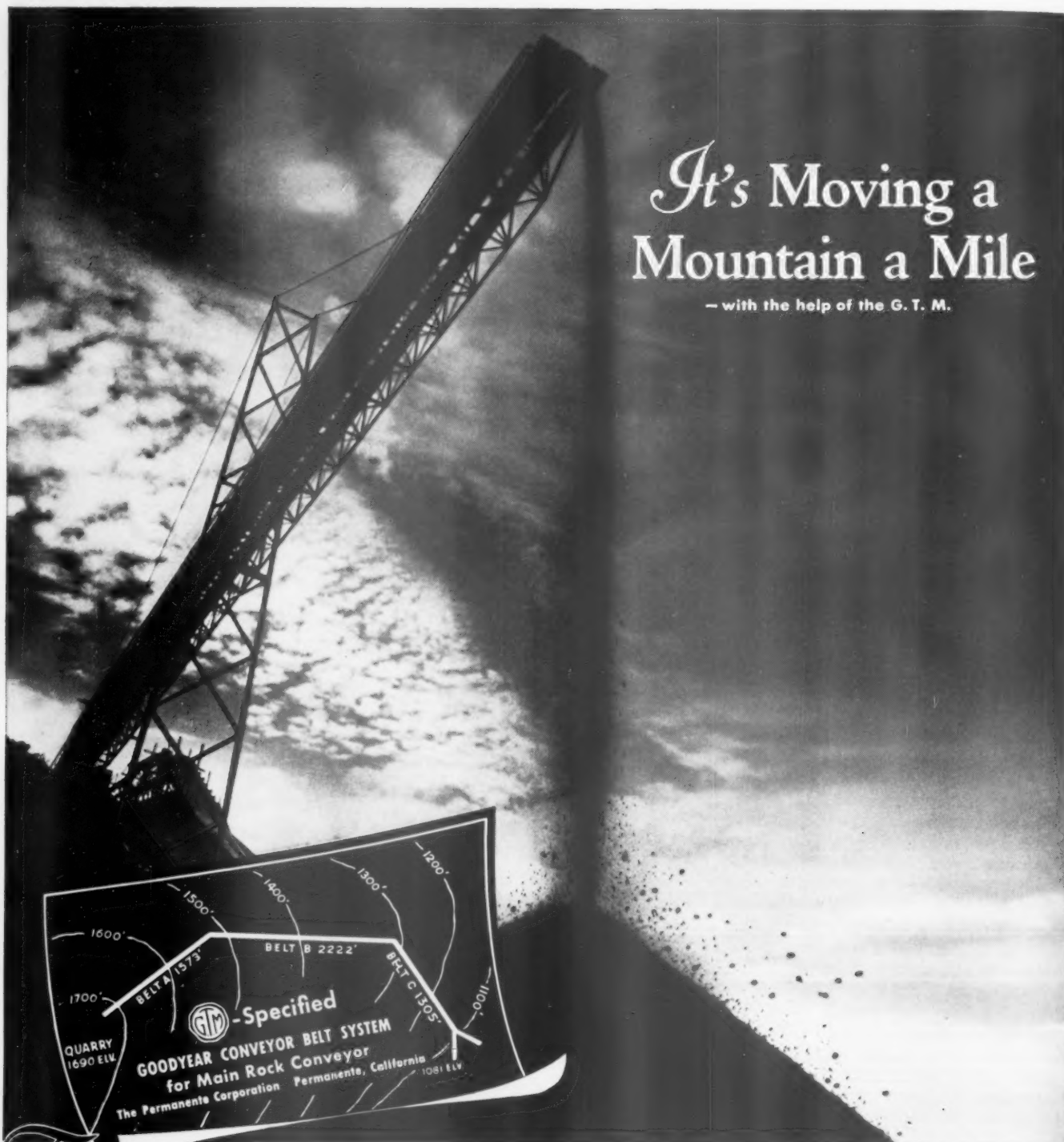
Sanitary Paper Drinking Cups

LOGAN DRINKING CUP CO.  
68 Prescott Street, Worcester, Mass.  
PACIFIC COAST ENVELOPE CO.  
416 Second Street, San Francisco

Divisions of  
United States Envelope Co.

Envelopes . Transparent Containers .  
Paper Cups . Drinking Straws . Note  
Books . Toilet Tissue . Paper Towels





## It's Moving a Mountain a Mile

— with the help of the G. T. M.

*F*rom high up a rugged California mountain comes the stream of limestone rock you see here cascading from the end of a Goodyear conveyor belt—one of the most remarkable belt hauls in the world. Built to transport millions of tons of rock to be used in manufacturing cement for the gigantic Shasta Flood Control Dam, the conveyor winds up and down the sides of the mountain, swooping up-hill and down-dale like a great roller coaster. Under impetus of a 700-ton-per-hour down-hill load the belts drive generators that supply

much of the electricity used for excavating and primary crushing of the rock. Completely equipped with belts specified by the G.T.M. — Goodyear Technical Man—this system proves the economy of conveyor haulage over terrain where other transport methods cost prohibitively. If you have bulk tonnage to transport, either a few feet or a score of miles, it will pay you to consult the G.T.M. Write Goodyear, Akron, Ohio, or Los Angeles, California—or

phone the nearest Goodyear Mechanical Rubber Goods Distributor.

THE GREATEST NAME IN RUBBER  
**GOODYEAR**





## It Is Time to Face Realities

IN THE MATTER of providing for the common defense, our assailability lies not alone in New York Harbor or San Francisco Bay. It is to be found in a domestic policy, which, even though conceived in the highest of motives, is contributing to unpreparedness. Through persistent propaganda and subsidy, this policy is becoming the accepted way of life. Our present bewilderment, our lack of unity, issue from this national program "to make America over." Here are some of the obstacles that stand in the way of an invincible America:

- 1• Frustrating industrial productivity through government labor policies
- 2• Restricting the flow of savings into productive enterprise
- 3• Chilling the zeal of management, through baiting and punitive taxation
- 4• Deliberately limiting production of foodstuffs, fuels and other necessities of life
- 5• Encouraging social and racial conflicts
- 6• Discouraging thrift and sacrifice and economy through public example of extravagance
- 7• Destroying state and local responsibility

If political leadership will move against this fifth column of its own creation, the free people of America will rise to any emergency.

*Merce Thorne*



# PICK AND SHOVEL

## 1940 MODEL

**BIG MACHINERY**—for big jobs—saves time and money, conserves man-power. In this case—to dig, and haul out of the earth, coal, iron and other elements vital to industry and life.

Keeping giants like this on the job—taking in their stride the stress and strain of machine-wracking operations—calls for uniform, dependable lubrication.

Texaco supplies industrial lubricants far and wide, through more than 2300 supply points. In addition, Texaco offers Engineering Service—to ensure the operating economies Texaco Products promise.

**THE TEXAS COMPANY**

—in all  
48 States





In two years we might turn out 30,000 planes a year, said Gen. Arnold

## A Long Road to Preparedness

By HERBERT COREY



The theory is that we haven't enough anti-aircraft guns to protect a city

**INDUSTRY** makes ready to disrupt its production schedules to supply the items needed to put Army and Navy in fighting trim

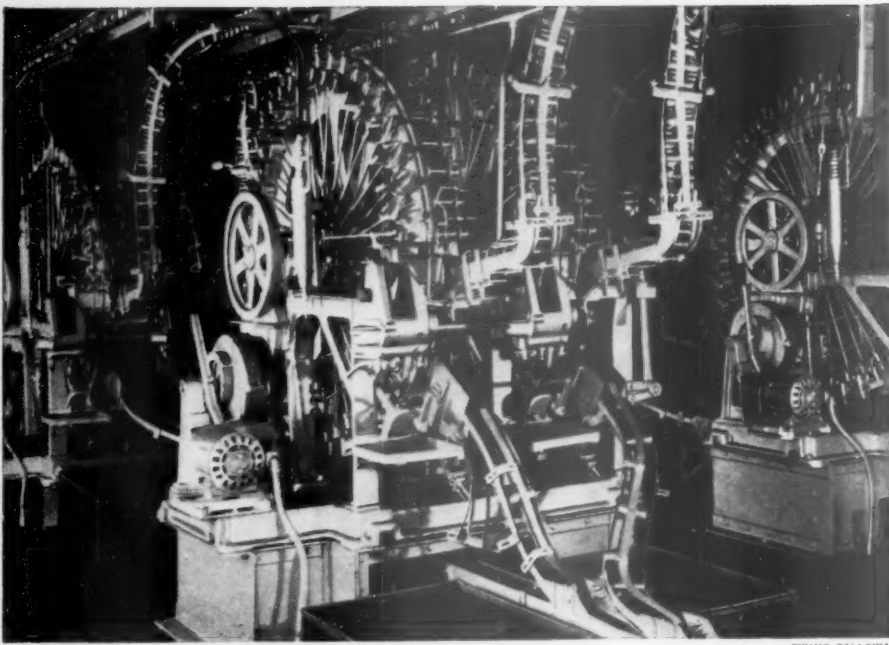
**REQUIRED** reading for 1940:  
The story of 1917.

Congress has granted between \$4,000,000,000 and \$5,000,000,000 for the new national defense program. Only one vote was registered in opposition in both Houses. That is evidence that the voters support it. While the United States has been playing alphabet games, the world changed its rules. President Roosevelt has clearly indicated that he proposes to ask for more money when it is needed. The current estimate of the annual cost of the armed services in the future is \$2,250,000,000. If security can only be had at that cost, the evidence is that we will pay it.

Yet it might be well to remember what we did in 1917 and how we did it. I'll have no more to say about that. The old Romans dragged a skeleton into their feasts but no one has ever suggested that they liked it. Only we did not get full value for all the money we spent in 1917—

The Army hopes and believes we will get full value in





This machinery used for making food containers in peace time would be turning out canisters for gas masks in war time

EWING GALLOWAY



Army shoes are built on the Munson last—not very stylish on the Board Walk but comfortable for marching soldiers

RENE



This man calibrating a steel turbine shaft in a locomotive works would probably turn his skill to gun making if orders for cannon should roll in

H. ARMSTRONG ROBERTS

1940. This hope and belief walks, so to speak, on two legs. The Army wants to get all it can for its money because it wants so much and, from the Army's point of view, it is getting so little. The other leg is that the Army remembers what followed the spending of the First World War. We spent until it hurt but, when the hurt grew unbearable, we took it out on the Army. The Army would not be as nearly unarmed as it is today if, during some years, Congress had not regarded it much as a country banker would look at the late John Dillinger and gang.

Everything was serene in those days. Our side was on top. No one believed the other side could ever again be a menace to our sleep.

No one but the Army and the Navy!

It is the business of the armed services always to be ready for whatever might come. The Navy was able to keep fairly ready by staying on the front page. Every time Japan laid down another battleship or Great Britain produced another blueprint, the Navy screamed. As a result, the Navy is fit and ready to go at this time. It is absurdly short on submarines, when it is considered that submarines, plus the naval air force, might be our



EWING GALLOWAY

Watch makers can be trained to produce time fuses for artillery shells

best protection if war should ever come. Some observers maintain that if we had enough submarines and war came we might even protect our battleships from enemy submarines. That is the jaundiced opinion of naval men who think the battleship is as passé as dolmans. But, in other respects, it is as good as the British navy, which has held itself the world's

best. In two ways it is better, in the opinion of some reasonably unprejudiced observers. It can out-shoot the Britons by a considerable margin. Its men are younger and livelier than their whiskered brethren on the British ships.



Army has a list of countless things needed, such as mats like these Germans use in mud

It was the Army that suffered from that spell of biting economy which assailed Congress whenever its members looked at the figures which followed 1917.

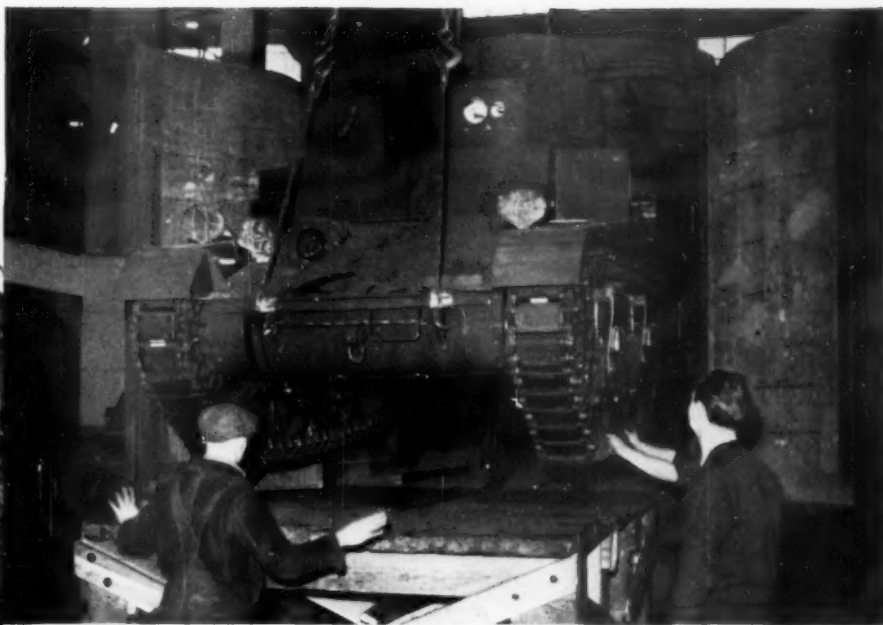
The statements of Army weakness in arms and equipment which follow are official. They were made by the Army's chiefs to the military affairs committees of Congress. When the Army puts on paper a statement of its financial desires, the Congressmen have a rude rebuttal. The Congressmen fix a file of generals with their eyes:

State your justification!

That's the word. "Justification." It would annoy me if I dropped into the bank to get a small loan, but the generals have learned how to take it. This year they convinced the committeemen, too. The committeemen had begun to hear talk that we might have to defend Canada and make an alliance with Iceland and shorten the application of the Monroe Doctrine to cover that part of the world and the Caribbean Sea which might become a threat to the Panama Canal. They discovered that an air base in Alaska is considered a necessity and that, if the Dutch East Indies are interfered with, we would begin to choke for lack of rubber and tin.

It was evident, too, that the congressmen were pleased by the improved relations between American industry and the Army.

(Continued on page 73)



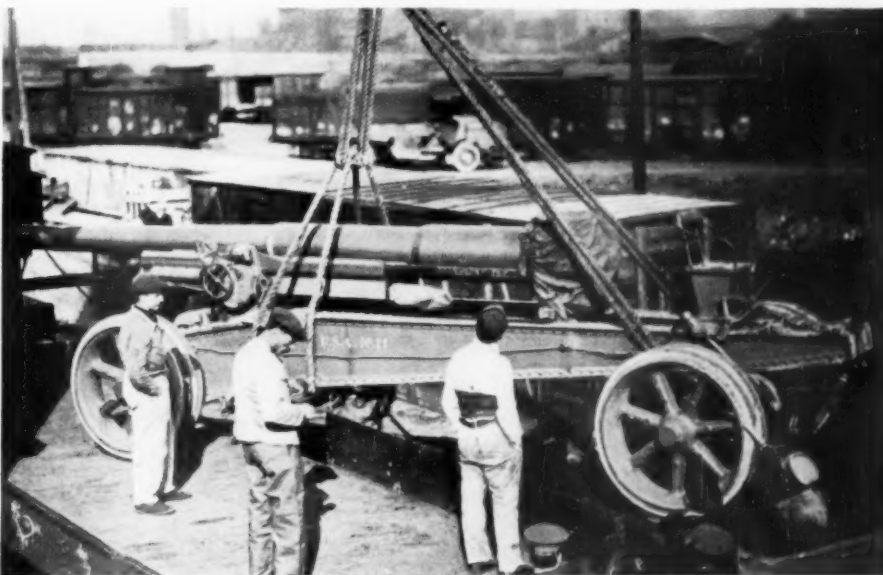
ORDNANCE DEPT., U. S. ARMY

At present tank parts are manufactured piece by piece in various parts of the country and assembled at the Rock Island arsenal



SIGNAL CORPS, U. S. ARMY

A 75-mm howitzer and its prime mover. This is one of the Army's newest weapons and is intended for use with mechanized artillery



American artillerymen used cannon like this 155-mm (six inch) in the World War. They were built and supplied by French government to U. S. Army







# For America—Guns and Butter

By HERBERT M. BRATTER

**W**HAT preparedness will cost us no one can tell. But cost it will, and, however financed, you may write it down that the works of this generation are paid for by this generation, even if the dollars are borrowed by Henry from John.

There will be heavier taxation now, and doubtless much more later on; the budget deficit will yawn much larger as red-ink bonds come off the printing presses. Today the situation is still fluid.

Just consider the chronology of recent weeks. On May 16 the President asked Congress to expand the defense budget by more than \$1,000,000,000. Congress went much further than his request. Yet, by May 29, it developed that \$600,000,000 more would be needed. The next morning the newspapers reported that the President would ask Congress for, not \$600,000,000 but \$1,000,000,000 more. By evening the amount of the request had grown to more than \$1,370,000,000. Thus a record peace-time plan involving 1941 defense appropriations of more than \$5,000,000,000 and estimated actual expenditures during the year totalling \$3,252,000,000 has rapidly taken shape.

Nor is this all. To it must be added large amounts likely to be lent during 1940-41 by the R.F.C. and the Export-Import Bank.

When you are suddenly called upon to pay out money, the chances are you will pull out your wallet or reach for your check book. The Secretary of the Treasury has the same inclination. But, since the federal Government has been in the red for years, he naturally does not find \$5,000,000,000 lying around loose. True, the working balance in the Treasury's general fund, when the defense crisis developed, totalled \$1,300,000,000. But that is not too much for comfort and the Treasury does not want to use it up.

Nor is it considered "orthodox finance" to dig into the large gold, silver and greenback nest eggs which the monetary laws of 1933 and 1934 have created. The alternatives, therefore, are borrowing and taxation and, of these two, the quicker is to sell Treasury notes or bonds.

**THE IMPACT of the European war has already had profound effects on our economic life. Future changes may be even greater. Just what will these changes be and how can we prepare for them?**

To finance the emergency program, therefore, chief reliance is being placed on borrowing. Even though taxes will be much heavier next year, this is far from a pay-as-you-go program. The statutory limit on the public debt is being expanded by \$4,000,000,000 to \$49,000,000,000. The theory of the program is that revenue for armament will be raised in the form of national defense notes, when and as needed, the notes to be amortized within five years. As they mature, they are to be paid off out of special defense-tax revenue. This scheme is equivalent to having a separate defense budget.

## Increasing taxes and debt

THE present defense-tax program will yield an estimated \$729,000,000 in the fiscal year 1941 and \$1,004,000,000 in each subsequent year. Even at the latter rate, however, it would still take several years to pay off, out of revenues so raised, the fiscal year 1941's probable defense costs. Meanwhile, other heavy defense costs will be piling up in 1942, 1943, 1944 and 1945.

Not only will the Treasury borrow from the banks and the investing public, but the R.F.C. also. Its loans fall outside the present statutory debt limit.<sup>1</sup> In the new R.F.C. bill as amended in June, the Corporation was given wide powers to finance the acquisition and storage of raw materials, the construction, expansion and equipment of plants, and the subscription of working capital. Upwards of \$2,000,000,000 legally may be bor-

rowed and re-lent by the R.F.C. for such purposes under its new authority.

For the sake of national defense, the Government will build necessary factories which cannot attract private capital. In addition, Jesse Jones has announced that "for national defense, the R.F.C. will cooperate with banks in making loans either for production or plant expansion by taking 75 per cent of any such secured loan that a bank may make, the bank carrying 25 per cent of the loan. Where a bank wishes to carry the entire loan, the R.F.C. will give the bank a definite take-out agreement for 75 per cent of the loan."

The Administration and the R.F.C. hope to have the fullest cooperation from banks in meeting whatever credit demand may arise.

What with a large prospective expansion in R.F.C. activities, the picture may seem confusing, because of the recovery by the Treasury, in accordance with the January budget message, of some \$700,000,000 from various government agencies. This includes \$300,000,000 from the R.F.C. Actually, the R.F.C. will have no less power to lend to business. The change merely means that the R.F.C. will raise the funds it needs directly from the bond market instead of by way of the Treasury's general fund.

A contributory method of raising funds for defense, proposed by Senator Byrd and others, involves a ten per cent cut in all expenditures other than those for the national defense and the public debt. Although such economies are opposed by government employees and other beneficiaries, some form of this proposal may yet be incorporated in the law.

(Continued on page 83)

<sup>1</sup>Eight government agencies have the authority to borrow \$14,108,000,000 outside the \$49,000,000,000 public debt limit, and actually had outstanding on March 31, 1940, about \$5,670,000,000 of obligations.



CULVER SERVICE  
 Claudette Colbert gave allure, but home owners didn't miss the blinds

**Y**OU'VE heard rumors that Hollywood is becoming the style center of the universe, but maybe you haven't realized the effect, deliberately-planned or spontaneous, that celluloid flickers have upon industries. The public not only wants to look like Hedy Lamarr or Gary Cooper—it wants to sit in the same chairs in which the glamorous idols sit, tap the same typewriters, install the same Venetian blinds in its homes, play the same games—even wants to buy the same tractors!

No one knows whether it was the movie moguls or the Main Street wizards who first discovered this fatally fascinating tie-up. But today every large motion picture company has its cubbyhole set aside for exploitation within the advertising and publicity offices. The motion picture company foots the bill for maintenance of this extra labor, for sometimes colossally elaborate exploitation books are sent to all exhibitors; the manufacturer, on his side, capitalizes on the glamorous fact that So-and-So does such-and-such in

# Industry Watches t

By HELEN MORGAN



One manufacturer reports 10 times more sales of Venetian blinds for house and office. Sonja Henie's white shoes and skates sent sales sky-rocketing



her forthcoming picture and pays all the advertising bills to entice a gullible public to do likewise. Each side appears happy about the whole thing.

With the exception of Warner Brothers, most of the film companies' exploitation men just sit in their cubbyholes and wait for Mahomet to come to them. They aren't so particular about how they dispose of their star dust, and would just as soon lend Miss Betty Grable's name to advertise a \$3.95 shoe. Warner Brothers crowns exploitation with significance. It has volatile, dark-haired Miss Wilma Freeman at its head, and she maintains the Brothers' ideals with vigor.

It isn't glamorous, she points out, to associate a star with anything cheap; there was the time a representative desired to make a tie-up between a

# the Movies for Public Trends

PEOPLE not only want to look like cinema stars, but they insist on using the same kinds of materials in their homes or at their play

printed dress-goods manufacturer and Priscilla Lane in "Four Daughters." The dress would sell for about \$2, and Miss Freeman had to say, "No, we've built Miss Lane into a glamour girl and we can't afford to connect her with a \$2 dress."

Likewise, a Warner Brothers star can't have anything to do with hair rinses, hair dyes, rubber shields, deodorants. A goddess is supposed to be flawless, of alabaster perfection.

Miss Freeman gets plenty of offers for tie-ups from businesses but with standards like these to uphold it's logical that she go out and drum up some business, too. She gets the ideas, and then she lures the firm with figures like these: "We can offer you 12,000 theaters in which the picture will be shown—it's estimated that 80,000,000 persons go to the movies every week—the life of a picture is about six months, so"—she sweeps her hands out dramati-



Ginger Rogers slings a purse over shoulder—shopgirls and debs do likewise



America's youth was fascinated by the sight of Robin Hood with bow and arrow—sales of archery sets doubled

The architect had to mail plans of the farmhouse (right) in "Bringing Up Baby" to thousands of movie fans





cally, finally—"there's no telling how many see that picture."

If the firm agrees, it designs a product to conform with the picture, and the motion picture people pass on the product. If it's O.K. Warners pose their stars with it, then get up a pressbook, which is sent to every exhibitor. In it are the pictures, announcements of the various tie-ups, and names and addresses of the firms involved.

### Hard to measure sales value

THE theater operator writes to the firm. . . . "Who's your representative here?" Then he calls upon the local representative and they launch their campaign. Like the old advance agents (who, some say, were responsible for the system of exploitation) the representative puts a display in his window which relates to the picture. Other forms of promotion are possible, such as posters on trucks, special "Nights" at theaters, and so on.

It's pretty hard to get figures on this sort of thing, for, like those of other forms of advertising, the exact results of a splurge are supposed to be intangible. The picture companies think it's significant that most manufacturers who make a tie-up come back for more; they must be satisfied. The manufacturers who've had the experience all agree that movies, definitely, have got something for them.

Take the Indian Archery and Toy Corporation, for instance. When Warner Brothers issued its super de luxe pressbook heralding "The Adventures of Robin Hood" this company's name was included in the list of tie-ups. There were belts, dress-



Katharine Hepburn wears a box-coat and hundreds want one like it

es, hats to tie up with the picture; there were also Robin Hood Archery Sets, with the firm running advertisements in *Scholastic* and *Boys' Life*, and providing window strips and mats. Theater operators were told to write the firm for information concerning local dealers.

H. M. Brading, president of the firm, looks back on that union with a joyful smile. After the tie-up began, the sales of archery sets doubled. Mr. Brading does not hedge. He says, "We can ascribe it [the increase] to no other reason than the picture." In other words, America's youth was fascinated by the sight of Robin Hood with his bow and arrow and, feeling blasé toward its toy machine guns, began buying up archery sets in a serious way.

You probably wouldn't connect Hollywood with a spurt in tractor-buying, would you? The Caterpillar Tractor Company is wary about committing itself, but it does admit that the sight of Joe E. Brown, riding one of the Caterpillar tractors in "Earthworm Tractors," had a pleasing effect on its "customers and prospects and the public generally." Miss Freeman engineered this tie-up; the Caterpillar people cooperated to the extent of getting a booklet of their own printed.

(Continued on page 92)



Joe E. Brown on a Caterpillar tractor had a "pleasing effect on prospects"



Estimated \$5,000,000 is spent annually for replicas of movie characters

C. W. D. P.

# "Fair" Labor Standards in Name Only

By WILLIAM H. KELTY

A FEW CASE histories which demonstrate that the wage and hour law, instead of bringing the reforms that its sponsors promised, is, in many instances, causing hardships for workers

THE TRUCK DRIVER rapped on the general manager's door. Then he opened and looked inside.

"Come in, Jim," the manager said. "Want to talk to me?"

"Mr. Blodgett," Jim started, "I'm doin' pretty well drivin' for you, aren't I?"

"Sure you are. A good worker—and a perfect safety record, as I remember."

"That's right. But I don't want to be drivin' trucks all my life. I'd like to work up in this firm. A lot of men have gone up from drivers, they tell me."

"Most of us started in as drivers or warehousemen," the manager said. "But of course you've got to know more about the business than you get from the cab of your truck."

"That's what I want to talk to you about," Jim answered. "My work-week is generally over Thursday night. Now I'd like to put in Fridays and Saturdays in the retail stores—stockin' 'em and so on. If I can learn the retail end of the business I might be useful to you in the office or on the sales force."

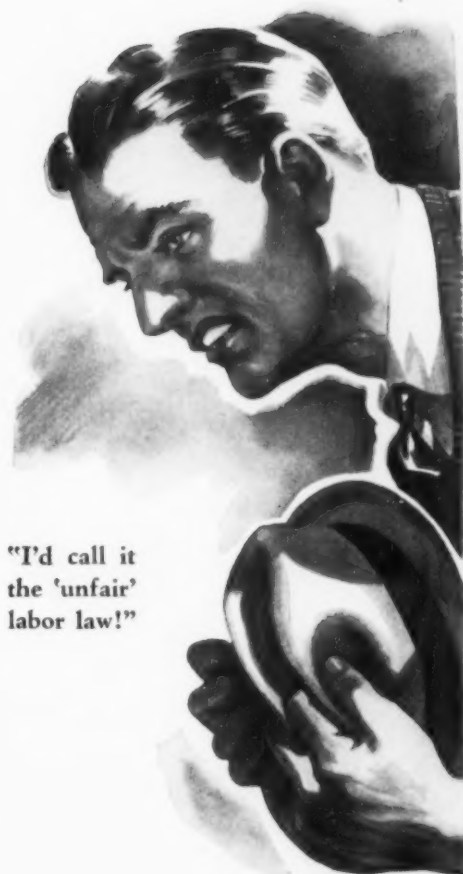
The manager was interested. "I'd like to help you out, Jim. Of course, we don't need any more men in the stores—"

"I don't care what you pay me," Jim said. "Don't pay me anything. Just give me a chance to get ahead."

"Maybe we can, Jim. I'll give it some thought."

By "giving it thought" the manager meant he had to consider Jim's request in the light of the Fair Labor Standards Act and its application to that firm. Under the 42-hour week, the management was paying truck drivers a base rate of 70 cents an hour. In addition, by agreement with the union, it was working the men enough overtime to pay them what they used to get

"We can't do it, Jim, we'd be evading the Fair Labor Standards Law."



"I'd call it the 'unfair' labor law!"

for a 48-hour week before the Wage Hour Law went into effect.

Jim was a good man. He might go pretty far in the business. But costs were already 'way above what they should be. If Jim were given that retail experience, it would cost the company \$1.05 an hour for a man it didn't need. If the firm could only pay the base rate of 70 cents for this overtime they might swing it. But \$1.05 was too much. When Jim came in again, the manager had to tell him his request couldn't be granted.

"But you don't even have to pay me for this work," Jim protested. "I just want the experience."

"We can't do it," Blodgett replied. "We'd be guilty of evading the law if we tried to. The Fair Labor Standards Act says so."

"Fair!" Jim snorted. "If you ask me, it's the *unfair* labor standards act."

While the manager's name wasn't



EDWARD F. WALTON



Blodgett and the driver's wasn't Jim, this actually happened recently in the office of a large food distributing firm. It was just one of many cases in which the Wage and Hour Law has penalized not only the employer who pays wages far above the Act's maximum figure, but his workers as well. Jim, the truck driver, doesn't have much reason to sing the praises of the F.L.S.A.

Neither do boys and girls who are being denied the chance to learn a business by strict Wage and Hour interpretation. An Iowa firm wanted to give a lift to the younger brother of an employee. The boy asked whether he might learn to run a tabulating machine for the company, a kind of training he couldn't get in school. Though the boy wasn't needed in the business, he was put to work operating the machine without pay. Three months later

he was given \$20 a month to take care of his carfare and lunches and to make him eligible for compensation in case of accident. Three months later he was advanced to \$65 a month and then \$75. His training had made him a permanent employee.

But Wage and Hour Division investigators got busy and forced the firm to pay the boy \$123 in "back wages" allegedly owed him. If the lad had drawn no wages at all while learning, the company might not have been liable. But "pay him anything and you must pay him the full minimum," said the inves-

we'd discuss them—sometimes for hours. I'm afraid to let those young men come in like that any more, though. Overtime provisions may prevail."

Undetermined hundreds of employees are being harmed by provisions of Interpretative Bulletin Number Thirteen of the Wage and Hour Division. One section forces employers to pay workers for time voluntarily spent at meetings or lectures, if the subject is held to be "directly related to the employee's work."

Thus a wholesale stationery store



Since the job was unrelated to their regular work, he gave them separate checks and kept no time sheet. This brought a charge of falsifying records

tigator. Other boys and girls who will want chances to learn a business in the future will regret that the Act is inflexible. Managers may not be so willing to give unnecessary learners an opportunity.

University business graduates, too, have been handicapped by administration of the Act. Here's the story of a petroleum distributor who hires several college men every year:

"These boys are all eager to get acquainted with our firm and with the industry. Before the Wage and Hour Act went through, one or two of them used to come to my office fairly often at closing time, ask if I was busy and sit down if I wasn't. They would tell me their ideas about the business and

must forbid inside salesmen to go to meetings arranged primarily for outside salesmen, even though the inside workers want to attend for pointers on doing their jobs better. Injustices of this kind will probably continue as long as the Act, interpreted as it is today, remains with us.

A major sore point, partly administrative, partly legal in origin, is the liberality of exemptions from overtime provisions for persons in executive, administrative or professional positions. Even a corporation officer whose salary is \$5,000 a year may not be beyond the Fair Labor Standards Act.

One such man, a certified public accountant, is secretary, though not a

(Continued on page 95)





Members of the Federal Radio Commission view a portable television pick-up set

ACRE

## Radio Looks to New Frontiers

By FRANCIS X. WELCH

**S**UPPOSE one of these fine days you picked up your daily newspaper and read that the electric power company in your town was going to change its standard of service. The story might state that, in the interest of better public service, on and after a certain date your regular 110-volt alternating current would be suddenly boosted to 220 volts.

The chances are that you and most everyone else in your community would immediately become spitting mad. Such a change would mean the replacing of every electric light bulb in your house, the junking of all small appliances, and the reconditioning of larger ones at heavy expense. The loss to business houses would be staggering.

The chaotic picture is a somewhat exaggerated example of what *could* happen from five to ten years from now in the field



Make-up for television performance has its own distinguishing characteristics

ACME

of radio and television, unless both the F.C.C. and the radio manufacturing industry are mighty careful about what is being done right now in fixing radio and television standards. Anyway, that is the F.C.C.'s side of the argument. It goes a long way toward explaining the F.C.C.'s apparently eccentric handling of this subject.

But there is another side to the argument. While the F.C.C., according to its own press releases, seems to assume the rôle of a kindly nurse, intent upon scientific supervision of the care and feeding of an infant industry, that same infant industry shows unmistakable signs of restlessness. It is squirming around and hinting that the F.C.C. more closely resembles a fussy old maid.

Now, the average American citizen, disturbed by fragmentary published accounts about this

pulling and hauling over regulatory standards, probably wants to know just what all the shooting is about. Is there anything to these rumors that a brand new type of sound radio is about to go on the market which will make the present sound radio receiving sets obsolete? How soon will television get here; and is it, also, threatened by eventual sudden obsolescence when it does get here? What goes on down there in Washington, anyway?

The citizen has a right to know these things. He has a considerable stake, not only in the future of radio, but the present as well. If he is the head of a

family living in a city and earning more than \$2,000 a year, he probably has a console model radio in his living room which set him back from \$75 to \$125, a smaller model in some other room which cost from \$25 to \$60, and an automobile radio of about the same value. If his children are in their teens and live at home, they probably have smaller sets of their own. In all, this citizen might have an accumulated investment of as much as \$300 in radio equipment. Is this in danger of becoming useless?

The average retail radio dealer has even more to worry about. Ten years

ago he was making 20 per cent net on each radio set costing \$100 or more. Today he is selling the public a smaller but better (on the basis of performance) radio set for \$20 and is lucky to make much more than a couple of dollars clear profit. Prices have tumbled so rapidly that he has probably had to take loss after loss on stale inventories. Some small retailers admit they can make more money repairing old sets than they can selling new ones. Is an entirely new radio technique about to destroy this traffic in the present commercial type of radio altogether?

### Changes will be slow

THEN there is the business man who finds radio broadcasting a necessary advertising medium. Should he sign long-term contracts tying himself up with the current method of broadcasting, or will this mysterious new sound radio technique and television itself come along, steal his audience, and leave him holding the bag?

The answer is that none of these things is going to happen. They could conceivably happen if both the F.C.C. and radio-television industry took complete leave of their senses. But as a practical matter the important changes



Patients at Metropolitan Sanatorium, 180 miles from New York City, saw the National League opening game by television



Surgeon's hands as they appeared to observers 500 feet away



Television made medical history as several hundred persons witnessed a delicate abdominal operation as the surgeon described every move

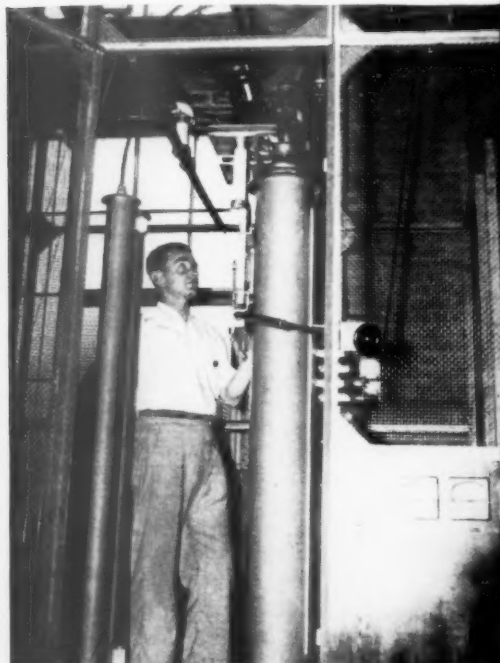
now overshadowing the air waves are going to arrive gradually and with no undue dislocation of the present radio set-up. Furthermore, what the F.C.C. and the radio manufacturers are scrapping about in Washington are merely differences of opinion as to the best way to bring about such a smooth transition.

As far as the public is concerned, the



controversy can be dismissed. Ten years hence when the transition has been made, it will appear in retrospect like a tempest in a teapot. Yet, many would feel more comfortable about the whole matter if they understood why there was nothing special for them to worry about.

Well, first of all, it is a fact that the



Interior of Major Armstrong's laboratory near New York

radio industry faces, not only one revolutionary development, but two! This is, naturally, a bit hard on an industry which is itself not even "of age," as we count human years.

### Two changes in radio

THE two revolutionary developments which thus now stand on the threshold of the radio industry glaring at each other are:

1. Television, the widely heralded process for transmitting moving images as well as sound via radio waves.
2. Frequency modulation, a highly improved technique of broadcasting, better known in the trade as F.M. (as distinguished from A.M.—which means amplitude modulation, the method now used in broadcasting).

Which is going to come first? The F.C.C. has answered that question for us by giving F.M. a "green light" to go ahead with commercial operations while at the same time turning the "red light" on television temporarily at least. With such a head start it seems to be a good guess that F.M. will probably get around to general public acceptance a little ahead of television—but not much.

Aside from the awkward coincidence of both arriving at the same time, there



Major Edwin H. Armstrong (left), proponent of staticless radio known as frequency modulation, with F.C.C. Chairman James L. Fly



Police are making tests to determine the efficacy of using telecasts for immediate identification of finger prints

is really no basic reason for hostility between F.M. and television. Indeed, F.M. engineers say that F.M. technique will prove of valuable service for television. It can help by carrying the sound broadcasting which must accompany television. They even claim that F.M. technique can be used for the sight (or "video") part of television. But evidence produced so far on this point is sketchy.

Again, a squabble was recently ended by order of the F.C.C. as to which por-

tions of the available scale of radio frequencies (known as the "spectrum") will be assigned for the use of F.M. and television, respectively. Certain channels, which F.M. especially wanted to use, overlapped, to some extent, the space already reserved for television. F.M. asked that F.C.C. make television move over a little bit. The F.C.C. said "O.K."

This radio "spectrum" is something like an invisible piano keyboard. All  
(Continued on page 86)



# No Business Can Escape Change

**In a war-mad world American business continues to seek peaceful development of new products**

**1 •** A NEW electrical convenience outlet has dished plate surfaces so that the plug blades are guided into the contact slots without hunting or fumbling. It is especially desirable for hard to get at places and dark corners.

**2 •** A DUAL purpose lawn sprinkler is designed so that children can conveniently play in its shower while the lawn is sprinkled. The head and hose coupling are of polished brass.

**3 •** A HAND truck designed to let an average man handle barrels or drums up to 1000 pounds has a special hook which makes possible loading the barrel with a minimum of effort and then holds it on the truck.

**4 •** PLYWOOD panels in room sizes up to eight by 20 feet are now available. The panels are made with a water resistant synthetic resin glue and the side to be decorated is covered with a strong woven fabric. The size makes for a minimum of joints and facilitates construction.

**5 •** A SELF-LOCKING nut for all standard bolt thread systems has the same threaded height as standard nuts but on the top has an unthreaded but elastic fibrous collar which prevents vibration from loosening the nut. It helps seal the bolt against corrosion; the nut can be removed and used again.

**6 •** A CHEMICAL recently made available commercially in a high purity is said to have particular value in combating internal and external parasites for farm animals. It is also useful as a fungicide and insecticide for plants.

**7 •** A NEW bracket for wall type fire extinguishers has a two-point suspension including a bottom support that prevents sideways when passers-by accidentally brush it. It is particularly intended for schools and other buildings where there is heavy traffic.

**8 •** A NEW electric outlet for wall clocks is designed to give both mechanical support and electrical connections thus eliminating the use of extension cords to the clock.

**9 •** A NEW boxboard finish used in one line of boxes makes them grease-proof, moisture-proof, and soil-proof. Dust and dirt can be wiped off with a damp cloth.

**10 •** A NEW phenolic molding compound is specially formulated for arc-resistance. It tends to prevent tracking where there is combined electric spark and rubbing action and has high resistance to carbonization under an arc.

**11 •** A MOBILE water refining unit which has a gas feed chlorinator, soda ash feeder, alum feeder and filter is now available to handle 50 gallons a minute against a total head of 75 feet. Suitable test sets are provided.

**12 •** A CHEMICAL mixture for heat transfer and for accurately controlling temperatures up to 900 degrees Fahrenheit has been found. It is much cheaper to handle than air which has been previously required for high temperature heat transfer.

**13 •** SAFETY blocks for sheet metal forming presses are now made from an extruded light-weight but strong magnesium alloy. They are said to be stronger than oak and easier to handle than either oak or steel blocks.

**14 •** A SMALL but powerful reciprocating action electric tool gives a 30 to 40 pound push or pull and may be used to file, burr, hone, snag, polish, saw, and chip. It is 2 3/4" round and 10" long.

**15 •** A NEW nozzle for gasoline pumps is said to prevent spilling due to overflow of the tank. It has an automatic shut-off valve which is actuated when the gasoline in the tank reaches a by-pass at the end of the nozzle.

**16 •** A BOTTLE stopper for carbonated beverages is tightened or loosened by a quarter turn of a winged lever. It requires little more headroom than a crimped cap.

**17 •** FOR SERVICE stations there is a new tank for finding punctures in inner tubes. Rollers hold down the tube without submerging one's hands. An electric light under the water facilitates finding the leaks.

**18 •** NON-CONDUCTING materials such as wood may be electro-plated after application of a colloidal graphite solution. The solution hardens, conducts electricity. It is applied by dipping, brushing, or spraying.

**19 •** AN AUTOMATIC projector showing slides in three dimensions is now in production. The realistic projection may be combined with natural color and slide-changing is either by remote control or with a timing device.

**20 •** A FLOOR finishing material resembling concrete but flexible enough to be applied over old wood floors is now made in several colors. In application it is troweled out like concrete, can be used in 24 hours. It may be oiled, polished, and waxed.

**21 •** AN ALMOST transparent, amber-tinged, finish for floors, table tops, and the like will resist fire, dilute acids, stains. It is easily applied with cloth or brush, is easily cleaned. It contains a phenol resin.

**22 •** A SMALL letter scale for office use shows required postage for local, domestic, or air mail letters up to four ounces. The exposed numbers change with distinct clicks to avoid confusion in reading.

**23 •** A NEW colorless waterproofing for exposed building walls is equally effective over brick, limestone, concrete. It is easily applied with brush, has good permanency, is a variant of nitrocellulose lacquer.

—W. L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.



**24 •** A NEW fire alarm functions through the thermostatic action of a tiny mercury switch. The price has been made sufficiently low that several units can be placed in danger spots about the home.



# AN IDEA BECOMES A REALITY + +

## Ideas Are Worth Money!

A recent analysis revealed that the technical knowledge and assistance of a single Burroughs representative had enabled a few department heads and supervisors to save for their employers a total of \$253,500 *annually* in the cost of accounting and statistics.

This amount is the equivalent of a net profit of 5% on a gross sales volume of more than *five million dollars!*

In your office—as in nearly every office—almost every department head and supervisor has at least one idea which, if wisely developed, might reduce certain office costs immediately.

To help your business profit from these ideas, Burroughs representatives offer their experience and technical knowledge of machines, applications and procedures for lowering office costs or meeting changing business conditions.

As our representative counsels with yours, they discuss possibilities, evolve a solution, estimate the savings for your consideration—and another good idea becomes a reality.

Eager to capitalize an idea? Call Burroughs—there's no obligation.

BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICHIGAN

# *Today's* Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST

Business men won't sell, farmers won't produce, labor won't work until someone meets a price



## Economic Laws for Thee—Not Me!

By J. GILBERT HILL

**ALL OF US would enjoy a greater measure of prosperity if we would spend more time producing and less trying to get restrictions on others in the race**

**A**MERICANS, apparently, have almost hogged themselves out of the feed trough.

Business men won't sell, farmers won't produce, and labor won't work—unless someone meets a price.

Manufactured goods gather dust on the shelf. Land, barns, and tools are idle. Men hang around on street corners, whittle and listen to harangues, when they'd rather be making things.

Meanwhile, we profess to wonder why men, women, and children are going hungry, without sufficient clothing, and without shelter in the richest land on earth.

These items taken from a reporter's notebook in one American city offer a tip as to what may be at least part of the trouble when studied in their relation to each other:

1. A state retailers' association executive, speaking to a group of retailers, boasted that "the manufacturers now set prices on 326 articles in this state" under a so-called fair trade practice act. He added that these prices make "12 items cost \$1.67 more in the fair trade state" than in a neighboring state.

2. The Secretary of Agriculture, speaking at a chamber of commerce luncheon, argued that farmers have as much right to limit production and control prices as business men and labor. He added the charge that "only farmers take prices set by someone else."

3. A labor union leader argued in an interview that it is much better for a few men to be idle than to break down the scale of \$8 a day for carpenters so some mysterious "They" could take advantage

of the working man. He insisted that no more men would be working at \$6 a day, but he had no evidence except how he felt.

4. A high relief official made a speech in which he confided that "machine efficiency has gone so far in this country

that never again can we expect to use all human hands in industry or agriculture."

These incidents are not unusual, nor are they singled out for criticism. They merely illustrate the trend of ideas which any newspaper reader can duplicate in his own experience, in his own town, because they are rampant in every neighborhood, hamlet, village, town, and city in the nation.

Business men just know prices for farmers' products and labor are entirely too high.

Farmers know merchants and the men they must hire are out to gouge





**HAVE YOU READ** your life insurance policies carefully—recently?

If not, we urge you to do so, before another day goes by. Examine each policy you own and, when you come to the part about method of final settlement, ask yourself this important question:

*"Have I chosen the method of payment, available under my policy, which will be best suited to my own needs and those of my family?"*

Most Ordinary policies, as you know, offer a choice of several methods of payment. In the first place, the amount due may be paid to your beneficiary in one lump sum. You may prefer, however, to select one of the other methods, commonly known as "optional modes of settlement."

These options or choices can be divided into three types:

**Type 1. Interest Payments.** The life insurance company retains the amount due under your policy and pays interest on this sum either for a number of years agreed upon, or for as long as the person to whom it is payable may live. At the end of this period, the principal itself is payable in one sum, to whomever has been named to receive it.

**Type 2. Instalment Payments.** The company pays from the amount due under your policy, and the interest earnings thereon, stated sums in equal instal-

ments for a specified number of years agreed upon. At the end of the instalment period, the principal will have been used up. Most policies contain a table showing the amount of instalments payable over various periods of time.

**Type 3. Life Annuity Income.** The company retains the amount due under your policy, and pays a life income to your beneficiary.

There are several forms of life annuity income settlement. Some of them provide for additional payments if the person receiving life income dies before such payments total a certain amount, or before they have been received for a certain length of time. The amount of income is determined by several factors, including the age of the beneficiary at the time payments begin, and the form of settlement which is selected.

In your policy, if it is not a very old one, you will probably find tables illustrating the benefits obtainable under one or more of the life annuity income methods of settlement.

The entire amount due under your policy need not be placed under any one option. Part of the amount due can be paid in a lump sum, and the balance left with the company under one or more of the options. The income is payable, at your selection, either annually, semi-annually, quarterly, or monthly, provided

only that each payment is at least \$10.

The use of "optional modes of settlement" is not restricted to payments to your beneficiary. Under certain conditions, they may also be applied to payments which may become due to yourself in accordance with the provisions of your policy and in final settlement thereof.

Your Metropolitan agent will gladly help and advise you in determining which of the methods available under most Metropolitan Ordinary life insurance policies seem best suited to your needs and to those of your beneficiaries.

COPYRIGHT 1940 — METROPOLITAN LIFE INSURANCE CO.  
This is Number 27 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. In Canada the privileges outlined in this advertisement must be exercised in conformity with the laws concerning the rights of beneficiaries in the various Provinces. Copies of preceding advertisements in this series will be mailed upon request.

## Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker,  
CHAIRMAN OF THE BOARD

Leroy A. Lincoln,  
PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.



Plan to visit the Metropolitan's exhibits at the  
**New York World's Fair** and at the  
**Golden Gate International Exposition**  
in San Francisco.

them. Wage earners know manufactured articles or a dozen eggs cost too much.

Every one of them insists that goods, work, or the use of land be sold to them at rates forced by laws of supply and demand—then move heaven and earth trying to "repeal" those natural laws as applied to themselves. They want to take, never give. As an old time Quaker would say it, they most earnestly desire "economic laws for thee, but not for me."

The queer thing is that no one seems to remember the consumer who must pay \$1.67 more for 12 drug store items or do without; \$8 a day for a carpenter or not build a needed chicken house or garage; \$1 a bushel for wheat or 15 cents a pound for cotton, or starve, or go naked.

Yet, the merchant, the laboring man, the farmer, and the manufacturer are, in the last analysis, the consumers. It can't be anyone else. They won't do business except at a specified level, so they do without things they need.

It is only logical that consumers' groups should be organized and thrive, made up largely of wives of these producers of goods. But even the consumers fly off at queer tan-

gents, trying to root the other fellow out of the trough, instead of seriously seeking the cause of maladjustment and working to correct it.

#### Attacks on advertising

ONE of the most interesting is the thoroughly disproved contention that advertising is the reason for high costs of living. Promoters of consumers' organizations have made this charge while at the same time they have used advertising—the publication of magazines, and books, and sponsoring of radio programs—to promote their organizations.

Senseless, isn't it! But no adult American is entirely guiltless. Even a pig has more judgment, because one pig will let another alone and attend strictly to the business of eating once he gets his head into the source of supply! He never bothers to leave feed to root the other hog out—unless his competitor is squarely in the way.

America grew wealthy by reducing prices, increasing production to meet a widened market, then reducing prices again. Have Americans, unintentionally, abandoned that policy in adopting "stabilized prices?"

Agricultural colleges have spent

millions learning how to grow more on the same acreage. Then they told farmers, so farmers could reduce costs and make larger profits at lower prices.

Automobile manufacturers put millions of men to work by reducing prices year after year so anyone could have a car. That has been the history of every modern development which has boosted living standards and income—created national prosperity.

American retailers developed the idea of small profits, quick turnover, and advertising to create volume business to reduce prices.

There never has been a period in the history of any country when some people are not hungry, cold, and without shelter. The United States, with more machinery than any other nation, has, several times, most nearly eliminated that condition. It is still the only place in the world where middle classes live like kings of old.

Americans know, when they stop to think and not to listen to someone prattle, that there are more mechanics, automobile salesmen, and filling station workers today because of one machine, the automobile, than there ever were chamber-maids to horses.

(Continued on page 80)



# The CASE for ADVERTISING



GEORGE LEAVENS FROM NESMITH

**A REVIEW of the accomplishments of American advertising together with an interpretation of relevant developments now shaping in the field of public policy**



## Business Activity is not Self-Starting

GRAVE DANGER TODAY is that we may allow the *spirit* of American enterprise to be destroyed.

Too many of our political mentors, and socially-minded lecturers, start with the grotesque theory that business is self-starting and self-perpetuating. Business is just cut-and-dried routine in factory, office and store, they believe. And so believing, they naturally dismiss all selling as order-taking, all advertising as empty ballyhoo.

Spirit? How can they know that spirit is an intangible force, and yet the most powerful factor in all business undertakings?

Business is not self-starting. We hear of 80,000,000 horsepower on call in our manufacturing plants. Imagine it all as one machine, a huge dynamo that is seemingly ready to release its avalanche of power at the turn of a switch.

With all its power, that dynamo does not keep going without a small, almost unseen part called the "exciter." American business would stop short without the excitement it receives from the spirit of men. That spirit shows itself in the promotive urge, the desire that all American business men feel to sell and to advertise.

Selling and advertising are promotion of business. To promote, according to Webster,

is to encourage, to dignify, to stimulate, to help forward. Were it not for Akron's promoters of speed and comfort, we would still be bumping over cobblestones on iron-bound wheels.

Remember what you please, and measure as you can, 49 of 50 things you did yesterday were motivated by salesmen and advertising men; and tomorrow these men will come forward with more things for your advantage and pleasure.

The United States has been kept a going concern by the indestructible spirit of these promoters. How severely their courage and patience have been tested during the past ten years, they alone know.

Advertising has its quota of mistakes and frauds just as any segment of human activity but, over the years, its contribution to the American standard of living has been great. Shackle it, as its denouncers demand, and you shackle the whole industrial plant on which our progress depends. Perhaps the people want it that way but, before making their decision, they are entitled to know the real truth about this tremendous force. That is why *Nation's Business*, as the sixth of its series of articles on free enterprise, presents "The Case for Advertising."

# The CASE for ADVERTISING

With honest merchandise, conscientiously produced, truthfully advertised, and efficiently marketed, the future of our country will be secure. We have the productive capacity, the raw materials, and the capital necessary for profitable business. Only the demand is lacking. It is a function of advertising to create the demand. More emphasis is needed on that essential fact. The economic benefit of balanced consumption within the means of the purchaser is not yet fully understood. Better publicity is the answer.

—President Calvin Coolidge, 1931

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THE QUESTION HERE IS VERY SIMPLE: Do we, or do we not, want to preserve the American way of life?

You can get the answer by calling three expert witnesses. First, go to one of the recent graduates of any school or college. Choose any alert boy or girl who stood for anything in the Class of 1940. Find out by a few friendly questions what he or she wants.

Romance!

That will be the answer. Romance of choosing a career. Romance of courtship and marriage, romance of climbing the ladder of life with more income from year to year, more power, more freedom to enjoy all the things that loom large in the heart of youth.

Your alert young friend may find his first job right at hand in business or farming. Or he may elect more years of training for medicine, engineering, law, or the other professions. But the boy or girl you question knows that in our country complete freedom of choice will be given. In America the choice of a career is entirely free.

And the boy or girl knows that this freedom is the result of the American system of free enterprise. Every career, from the presidency of our nation to similar leadership in any profession, corporation or other institution, is open to the talents of him or her who can climb. This freedom was won for us by hosts of Americans who chose their own careers, installed as much machinery and other aids as they needed, did what selling was necessary to keep their farms and factories busy, and used whatever aids in selling were legitimate and in the public interest.

One of these aids is advertising. Advertising spreads the news and speeds up the sales of only those products and services which deserve to be speeded. Any intelligent young American, no matter what distorted or ignorant teaching he has received in school, is far smarter than those teachers and text book writers who claim that intensive *selling* of good commodities and services has been a detriment, rather than a blessing, to our nation.

You have called one expert. Now for another. Visit *any* man or woman past 50 who has shown enough courage and intellect to earn more than a bare subsistence. Visit the man in his office. Get under his guard. Ask him what he really wants from life.

## The real purpose

What is important to me is the real cause behind all this attack on advertising. To put it very plainly, I believe it is only a camouflage for the real objective, which is the control of the means of production and distribution in the United States. When I think of advertising in relation to this whole picture I see it as only one battlefield in an enveloping movement. It is an important battlefield because the elimination of advertising would result in the collapse of our entire system of competition and would end the existence of the unsubsidized press in America.

—Fulton Oursler

## So do we

I understand, gentlemen, that you have associated yourselves together in order to promote candor and truth in the advertising business. I wish very much that candor and truth might always be the standard of politics as well as the standard of business.

—Woodrow Wilson, to Associated Advertising Clubs of the World, June, 1916

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Advertising has many uses aside from strictly commercial aspects. The 1940 American Red Cross war relief poster appeals for \$10,000,000 to aid civilians and wounded in European nations now at war.

#### An intangible force

Advertising does not sell, it opens the way for the sale and, as such, is an essential part of the selling machine. I have never yet encountered anybody, however, who could prove to me in mathematical terms just what advertising has done or could do. While an unquestioned force, it is an intangible force. Give it a sufficient place in the merchandising picture and it will perform; try to measure its performances and you become involved in a mass of more or less meaningless figures that inevitably detract from the real work that it can do.

—Charles W. Nash

#### Not only good, but cheap

Advertising, as I see it, is the most economical method of getting the acceptance that makes a good product easy to sell. There is no good reason why we cannot double our volume, if we let advertising set the pace and strengthen our organization to maintain it.

—Otto Y. Schnering

Again, romance!

The romance of retirement. What he wants is to hand over the routine of daily affairs, files and push buttons, conferences and plans, financing and administration, to young hands he can trust. Not today perhaps. Not next year perhaps. But sooner or later, he looks forward to the romance of life in the country.

He dreams of a life that will be natural, life that will put a daily tan on his face and arms, life close to the trout stream and the golf course, and to the anchorage of a boat.

#### All of us may dream

WHO WANTS this dream? Nine-tenths of the middle-aged American business and professional men and women we meet in Washington, New York, Boston, Pittsburgh, Atlanta, Cleveland, Cincinnati, Chicago, Dallas, Salt Lake City, San Francisco, Los Angeles, Seattle, and all the cities between. Not captains of industry alone. The dream of a happy, peaceful retirement is held by men and women who work as vice presidents, general managers, department heads, production and sales managers, architects, lawyers, engineers, ministers, artists, teachers, doctors. A few hundred dollars a month of assured income to them spells security and peace, far from the gray walls and gray smoke of town. But when you ask them to picture the kind of farm to which they will retire, it will not be the farm of Andrew Jackson's day.

Far from it.

It will be a farm with an artesian well and electric water pump. A farm with an oil burning furnace and tank. A farm with a telephone, electric lights, electric washing machine, toaster, iron. In their well-earned retirement your friend and his wife expect to wear clothes in the sports fashion, to smoke their favorite cigarettes. They expect canned foods and preserves, and fruits out of season. They will drink bottled beer, soda water and spirits. They will enjoy cocktails. As for golf clubs and balls, cameras and film, tennis rackets and balls, fishing tackle, shotguns, rifles, and cartridges, all these are a commonplace of "retirement" in America in this age. All must be of the best. Only approved brands are wanted. There will be no molding of candles; no pumping of water in the kitchen by hand; and least of all, no backhouse.

"How will you buy all these necessities and luxuries?" you may ask your friend. "Why, from the advertisements," he will say. "I will have a lot more time to read advertisements than I have now. And, of course, we will subscribe to all the best magazines. We will keep reading the newspapers. We'll listen to the radio. We will know what the city stores are offering. We aren't going to become vegetables! We will dash to the city in the station wagon, whenever we feel like it, and do our shopping."

So, advertising is depended upon in the afternoon hours of life, just as much as in the forenoon. Advertising is a part of the American way. The American way now depends on expert designing, on machine production, on highly organized distribution, and on intensive selling and advertising. And if we seek romance in youth,



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and romance in old age, we shall attain it only by vastly increasing the kind of advertising which is only just beginning, after 50 years of cultivation, to flower and bear fruit in our country today.

We spoke of a third witness to the importance of advertising. That third witness is yourself. Do a difficult thing. Stand by your window at least five minutes. Picture in your mind what this America of ours would be without advertising, or with advertising so hobbled and shackled by law that it would be of no interest to anybody.

There is no way for us to know who you are. You may be the most prominent of business men, not yet at an age when ease seems better than effort. You may be a young fellow just starting out. You may be the most hard-shelled conservative, or the uneasiest of Communist fellow travellers. You may have ice water in your veins. You may have a heart full of idealistic sympathy with your fellow men and women. Or you may, more probably, be one of those average, ordinary, everyday men or women like ourselves, just doing the best you can in the daily round.

#### Where advertising isn't needed

SPECULATE for five long minutes on what would happen in this country if personal enterprise and ambition gave way to a general willingness to climb up on the lap of some high official, a Fuehrer, a Duce, or a Commissar. Suppose he—but you would think of him with a capital “H”—suppose He said to you:

All your childish ideas of right and wrong are out. The old fairy tales about honor, chivalry, integrity, and kindness are dead. There is no such thing as personal progress. There is no such thing as private property. All your effort must be subordinated to the good of the State. And the State is Me. Do as I tell you. Exercise at dawn, chop wood in the forenoon, drill in the afternoon, and read My books and speeches at night. Then you will be saved.

That is what extreme conceit, backed by the supreme authority of a Dictator, would tell you. It would be sugar-coated. You would be given the most becoming of work pants to wear while you chopped; the most gorgeous of helmets and puttees for your drill. You would sing. If you couldn't sing *cheerfully* your vocal chords would be lubricated with castor oil. And your day would be filled much too full for the practice of any business, unless you had manual dexterity enough to run a complicated machine, or mental training enough to do the work of a government scientist.

Would you be paid for this work? Oh, yes. You would be paid what the Dictator saw fit. Would you be allowed to invest your wages? Yes, as the Dictator saw fit. Would you be called on for foreign service? Yes, whenever the Dictator saw advantage to himself in placing some new country under the Dictator's flag and rule.

Would there be advertising in such an America? Not on the radio. The radio would be too full of words of the Dictator and his rubber-stamp courtiers. Not in the newspapers. The newspapers would weazen into little pamphlets written by the Dictator's own press

#### A tool with no depreciation

Advertising in some form has been employed by the Procter & Gamble Company for over 50 years and has been a most important factor in its upbuilding as one of America's large industries.

—William Cooper Procter

#### Most men are honest

We must never forget that businesses are directed by the human element, and therefore a certain amount of regulation and policing are necessary. But a certain freedom of development and action is necessary and should be preserved at all costs, for it is true in all avenues of life that the majority of the people concerned are true, honest and upright and desire to work for the best interests of the country.

—Grace Morrison Poole, Dean, Stoneleigh College



EWING GALLOWAY

Nine-tenths of America's middle-aged business men dream of a life that will be simple, close to a trout stream or golf course. But they want none of the discomforts of Andrew Jackson's day.

### The way to success

The greatest factor in building good will is constructive, truthful advertising.

Ninety-five per cent of our business is due to advertising—to the effect of our advertising today and to the cumulative effect of the advertising of our companies over periods of years.

—Colby M. Chester

### The critics call this wicked

When General Foods first took over the Jello Company, Jello was selling to the consumer for an average of 12 cents per package. Today the prevailing price is around 5½ to 6 cents. The decrease in price has been made possible only by successive increases in output, and the successive increases in output have been made possible partly at least through advertising. The total advertising cost at the present time is under one-half of a cent per package. What's wrong with advertising when it works that way?

—Clarence Francis



EWING GALLOWAY

Under a dictatorship, postmen would be too few to carry many catalogues and circulars, and postage rates would be too high to permit them to be mailed.

agents. Not on the outdoor panels. They would be too full of heroic-size portraits of the Overlord, and of rules concerning your diminished diet and other regulations for your life.

As for direct mail advertising, the postmen in the United States under a dictatorship would be too few to carry many catalogues and circulars, and postage rates would be too high to permit them to be mailed.

The United States without advertising and selling? It would be the Benighted States.

You would watch factory after factory close. You would see workers and store clerks moving in long lines, axe on shoulder, to the morning's wood-chopping and military road construction, and the afternoon's drill. You would see their self-indulgent taste for sweets and tobacco changed into thankfulness for black bread and bean soup. You would see girls, when old enough to sweat all day, taking soldiers' places at machines and on farms. You would see them breeding more fellow travellers, more shock troopers. . . .

### The Dictator would advertise

AND would you be without advertisements? No. Here and there the Fuehrer might own a factory himself, or allow a courtier to operate one of non-military purposes. There would be a thin dribble of advertisements in thin magazines. That is about all the advertising that gets printed in the old countries, when democracy yields to autocracy. And why not?

When families have no money, and will *never* have money, it would be shortsighted to let them read advertisements. A popular Tyrant takes good care of that. He sells his dupes the notion that advertisements are dangerous things to read, because freedom of choice in reading or in purchasing is black treason to his government.

America, as yet, has acquired no Fuehrer. The most sincere efforts to install one here have always failed. Sometimes the effort is made on a local scale, as with Boss Tweed in New York, or Huey Long in Louisiana. Sometimes the effort is made on a man's size scale, but being a Fuehrer is one of the most difficult feats known to man. One slip is fatal. And this is surely the most difficult of all countries in which to attempt the feat—because the average, ordinary American has, always, a half-humorous contempt for the pomp and panoply of rank.

The more a Napoleon struts and poses, the more certain is the ordinary American to salute him as "Hi-ya, Nap!" The more serious a Grand Monarch grows in the pursuit of grandeur, the surer is our citizen first to jeer and then to vote him off his perch.

All our history proves that the ordinary man or woman, in America, has no desire to recline on the lap of a despot. Two centuries ago, our forebears started coming here, chiefly to avoid the despots and crackpots at home.

From the start, most of our immigrants have shown a hearty desire to live their lives in their own way.

When they wanted to set up shop, they did. When they wanted a certain kind of shop, they had it. People fleeing from stern Massa-

achusetts founded Rhode Island and celebrated its founding by starting a saloon as its first commercial enterprise.

That saloon was advertised by its signboard. It has vanished, signboard and all. But the nearby Dutch settlement on Manhattan Island, with only 500 people, had *two* taverns by the year 1647. You may see old tavern signs, inn signs, tobacco store signs, Massachusetts coffee house signs, and swarms of other colonial outdoor advertisements in all the historical museums that swarm along the Atlantic Coast today.

If you wish to see America's first newspaper advertisement, look in *The Boston News-Letter* for May 1, 1704. It offers "a very good Fulling Mill, also a Plantation having on it a large new Brick house, and a young Orchard, at Oysterbay on Long Island, in the Province of N. York."

After that, printed advertisements came thick and fast. The late eminent advertising man, Frank Presbrey, listed the subjects of a dozen that appeared in the *News-Letter* for December 3, 1730:

1. Removal announcement by general store.
2. Proclamation of smallpox case signed "By Order of Select-Men."
3. Debtor's denial of report that he had absconded.
4. Notice of theft of a 40-foot sloop.
5. London callimancoes and butter for sale.
6. Collection of books for sale.
7. Black velvet, chinaware and tea offered by woman shopkeeper.
8. European-made clothes for sale.
9. Empty bottles and corks for sale.
10. Four pounds reward for runaway servant.
11. Runaway servant—four pounds reward.
12. "Satisfaction to content" for return of runaway servant.

By 1728, one of America's greatest journalists had thrown his hat in the ring as publisher of the *Saturday Evening Post* (originally called the *Pennsylvania Gazette*). Better paper and printing enabled him to print pictures—little woodcuts of ships, larger cuts of spectacles, scythes, sickles, clocks, and other commodities. By 1760, this talented journalist—you know him as Benjamin Franklin, statesman and inventor—had inspired department stores to advertise very much as they do now.

### They found it a necessity

IN THE Taylor & Cox's store advertisements in 1760, for instance, you can read of "boys' ribbed and plain thread and worsted hose of all sizes, women's clocked wove worsted hose, men's super-fine silk caps, best Scots men's and boys' gartering," and a tremendous assortment of other merchandise. Prices, however, were not given. That exciting feature of retail advertising came several generations later when Rowland H. Macy in New York, and other merchants, began to put price labels on their goods.

But there were no conceivable commodities that were not advertised before the end of the Eighteenth Century whether in newspapers, on handbills, or in the windows of stores. In the historical societies, or the public libraries, you can read advertisements of fabrics, hats, gloves, and fans, of Stiegel flint glass, of Carolina

the shipping in his country, by which the only was used of  
he and a son were burnt in her.

Advertisement.

**S** Tollen the 4 infant in the Morning out of the house  
of James Cooper, near Charlestown Ferry in Boston,  
several sorts of mens Apparel, both Woollen & Linsens,  
by an Irish man, speaks bad English; he is a young man  
about 25 years of Age, low Stature, dark coloured hair,  
round visage, fresh coloured: he rapt a small Briet Tick-  
ing-bolster, and put some of the Goods in that he carried  
away. Whoever discovers said Person, or Goods Stolen,  
so as both be secured, shall have sufficient reward  
at the place aforesaid.

**A** T Oysterbay on Long-Island in the Province of N.  
York, There is a very good Fulling-Mill, to be Let  
or Sold, as also a Plantation, having on it a large new  
Brick house, and another good house by it for a Kitchen,  
& work house, with a Barn, Stable, &c. a young Orchard,  
and 20 Acres clear Land. The Mill is to be Let with or  
without the Plantation: Enquire of Mr. William Brad-  
ford Printer in N. York, and know further.

**L** Oft on the 10 of April last, off of Mr. Shipen's Wharf  
in Boston, Two Iron Anvils, weighing between 100  
& 140 pound each: Whoever has taken them up, & will  
bring or give true Intelligence of them to John Campbell  
Post-master, shall have a sufficient reward.

**T** His News-Letter is to be continued Weekly; &  
all Persons who have any Houses, Lands, Tenements,  
Farms, Ships, Vessels, Goods, Wares or Merchandizes, &c.,  
to be Sold, or Let; or Servants Run-away, or Goods Stole  
or Lost, may have the same inserted at a Reasonable Rate,  
from Twelve-pence to Five Shillings, & not to exceed:  
Who may agree with John Campbell Post-master of Bos-  
ton for the same: And if in the Country, with the Post-  
master of the respective Towns, to be transmitted to the  
Post-master of Boston & all such Advertisements are  
to be brought in Writing to said Post-Masters.

**A**ll Persons in Town & Country may have said News-  
Letter every Week by the Year, upon reasonable terms,  
agreeing with John Campbell, Post-master for the same.

CULVER

America's first newspaper advertisement  
in the *Boston News-Letter* for May 1, 1704,  
offered "a very good Fulling Mill, also a  
Plantation having on it a new Brick house  
and a young Orchard."

### If the bureaucrats had seen this!

Famous Drops for Hypochondriack Melancholly: Which effectually cure on the Spot, by rectifying the Stomach and Blood, cleansing them from all Impurities, and giving a new Turn to their Ferment, attenuating all viscous tenacious Humours (which make the Head heavy, clog the Spirits, confuse the Mind, and cause the deepest Melancholly with direful Views and black Reflections) comforting the Brain and Nerves, composing the hurried Thoughts, and introducing bright lively Ideas and pleasant Briskness, instead of dismal Apprehensions and dark Incumbrance of the Soul, setting the Intellectuals at Liberty to act with Courage, Serenity and steady Cheerfulness, and causing a visible diffusive Joy to reign in the Room of uneasy Doubts, Fears, &c. for which it may be truly esteem'd infallible. Price 3s. 6d. a Bottle, with Directions. Sold only at Mr. Bell's Bookseller at the Cross-Keys and Bible in Cornhill near the Royal-Exchange.

—Advertisement in *The Spectator*,  
May 2, 1711



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Advertising is as old as recorded history. In Egypt it was done by town crier who sang his story. This English bell man of 1600 was only one advertising medium of his day—sign boards, handbills and cards were others.

#### Still, living standards went up!

The technique of advertising is a magnificent technique. Sanely applied it could remake the world. Think of what might be done with applied psychology in a great publicity drive for public health, for better housing, for cleaning up the slums, for honest and timely information about goods, for genuine education in a hundred fields! Many advertisers see this; a few of them try to practice it, but their hands are tied. Between the interest of the whole community in more abundant life, and of the individual in his profit and loss account, there yawns a chasm which no optimism, no sophistries about "service," no pretty little talks by Dr. Frank Crane and his friends, may cross. And when the technique of advertising is arrayed on the side of the private balance sheet, may the Lord have mercy on the consumer's soul, for there is no mercy in the world of dollars and cents. It is the consumer's purchasing power, not his welfare, which is the first consideration of those forces struggling in the turmoil of the new competition. If he is ever to find adequate protection he must reach out and take it for himself.

—Stuart Chase and F. J. Schlink,  
"Your Money's Worth," 1927

pork, of false teeth (advertised by Paul Revere to "look as well as the natural," in the *Boston Gazette* for September 5, 1768). You will find Bartram, in Philadelphia, advertising in 1771 not merely Barlow penknives and Whitechapel needles, but Kerby fishhooks, and even fountain pens!

In Frank Presbrey's great "History of Advertising," published in 1929, he quotes a letter showing how George Washington bought from advertisements. Three months before his inauguration, he wrote from Mount Vernon to his former commander of artillery, Major General Knox:

January 29th, 1789

My dear Sir:

Having learnt from an Advertisement in the New York Daily advertiser that there were superfine American Broad Cloths to be sold at No. 44 in Water Street; I have ventured to trouble you with the Commission of purchasing enough to make me a suit of cloaths. As to the colour, I shall leave it altogether to your taste; only observing that if the dye should not appear to be well fixed & clear, or if the cloth should not really be very fine, then (in my judgment) some colour mixed in grain might be preferable to an indifferent (stained) dye.

Before signing, "I am always, Affectionately Yrs.," to this letter, Washington added:

Mrs. Washington would be equally thankful to you for purchasing for her use as much of what is called (in the Advertisement) London Smoke as will make her a riding habit.

Yes, advertising has a long and honorable history. It is as old as Carthage, as ancient Rome, as Pompeii. In old Egypt, advertising was done by the town crier, who sang his story. In old England, the greatest artists like Hogarth designed signboards and handbills and tradesmen's cards. Magnificent was the work that went into them, as you can see in the British Museum, the New York Public Library, and elsewhere. And magnificent were some of the articles advertised.

#### Ads helped make them great

IN Addison's and Steele's *Spectator* for December 10, 1714, appeared an "Advertisement to the Subscribers for Mr. Pope's Homer," mentioning the subscription price of two guineas for the first volume, and saying that it would be published two months sooner than the time promised. Alexander Pope made a fortune out of that campaign. There were advertisements in the *Spectator* by Jacob Tonson, publisher of Dryden, Congreve, and many more immortals. Once Tonson advertised "Paradise Lost, a Poem, in 12 books, by Mr. John Milton." Coach-lines advertised. Houses were offered for sale or rent. A theatrical advertisement of January 12, 1712, reads:

By Her Majesty's Company of Comedians

At the Theatre Royal in Drury-Lane this present Saturday, the 19th Day of January, will be presented a New Comedy call'd The Perplex'd Lovers. By her Majesty's Command no Persons are to be admitted behind the Scenes.

Better stuff was the performance of "King Henry the Fourth, with the Humours of Sir John Falstaff." Yet this was a double bill, including "A Farce call'd The Walking Statue, or, the Devil in the Wine Cup." Thumbing through the *Spectator*, in the gay days of Queen Anne, you find advertisements of a "Posture-Master" who "stands upon one Leg and extends the other in a perpendicular Line half a Yard above his Head." You find "a Cock-Match for 10 Guineas a Battle and one Hundred Guineas the Main." You find "Dr. Maynwaringe who undertakes the Curing of desperate and most difficult Diseases at the Moor's Head in Baldwin's-Garden, by Grays-Inn."

And you find financial advertisements. In September 24, 1712:

The Court of Assistants of the Corporation for making hollow Sword-Blades in England, do hereby give Notice, that a general Court of the Members will be held at their House in Birchen-Lane, London, on Thursday the 25th Instant, at 10 of the Clock in the Forenoon, on special Affairs . . . and that in order to the making of Warrents for a Dividend, the Transfer-Books of the said Corporation will be shut . . . together with due notice of the Election of a Governour and a Deputy-Governour for the Year ensuing.

But it was a long time before the invention of machinery and of the modern distribution system, either abroad or in America, permitted manufacturers to advertise and sell on their present scale. Until they did, goods remained exceedingly rare and high priced.

### Industrial history is short

UP TO three generations ago, most households made and consumed, not only their own food, but as much as possible of their own cloth, candles, and furnishings. Women's lives were sad drudgery, spent largely in cooking food at open fireplaces in all weathers, spinning wool, making clothes, and cutting them down for the next child.

The first American retailers of wide social importance were the peddlers who traipsed through the great open spaces between the farms. These men carried heavy packs on their backs, heavy guns for self-defense on their shoulders. Our first high-pressure salesmen were said to be the Connecticut peddlers, not of wooden nutmegs, but wooden clocks. Horn comb salesmen, jewelry salesmen, and vendors of imported novelties like perfumes and cosmetics followed fast.

There was no cotton mill or other machine-equipped factory in America until 1789, when a returned traveller, Samuel Slater, set up steam power looms at Pawtucket, R. I.

That was only 150 years ago. You have seen men who have seen men who worked in that pioneer mill! So short is industrial history, so tremendous and so unbelievable are the benefits which rapid production and national distribution have conferred on us all!

Nothing in this world *sells* until it is *known*. No successful commodity blunders its own way into a store and waits until somebody by some strange chance blunders into buying it. If factory managers had not hired salesmen, and had not placed national advertising, our America would still be what NATION'S BUSINESS recently called

### The way to prosperity

It takes faith to advertise. It takes faith in public responsiveness to sell merchandise for less than some people would be willing to pay for it. Yet there is no surer short-cut to prosperity than grading up the product constantly, pricing it so that it can reach its widest market and advertising it so that it may make contact with every individual in that market.

—Z. G. Simmons

### Farmers and customers gain

Advertising has assisted us to stabilize our business, to guarantee the consumer a product of uniformly superlative quality at a low price, to make sure that whatever profit is made on our raw materials before they reach us is made by the farmer and not by the middle man, and to keep our manufacturing organization employed at steady wages throughout the year, so far as that is possible in a business like ours where so much of our raw material is grown during the summer season.

—J. T. Dorrance



T. F. HEALY

Sandwich men of 1863 aroused consumer interest too, but their circulation was limited and they offered the advertiser little opportunity for selective prospects.





Those are just a few. There are hundreds more. But you know most of these well.

You know, beyond doubt, that Mrs. Knox made a good gelatine. She might have made a slender living by having her son Jim peddle it around Johnstown, N. Y., where they live. But Mrs. Knox has placed her gelatine in just about every grocery store in America in case you want to buy it. Many do. But there are other well advertised gelatines on the market, and nobody can have a monopoly and force up prices so long as the advertising opportunity is open to all.

In the same way, Mr. Ford made a pretty good car back in 1905. That car, brought more or less up to date, would have earned Mr. Ford a slender living in Detroit, and Detroit would have remained a small town—if Mr. Ford hadn't been one of the boldest, most aggressive advertisers in the first decade of this century. One of the first double spreads ever to appear was his, and in it he told what he thought mass production would do for his car, and his country.

Mr. Ford's predictions came true. He grew and so did Detroit. From the Hudson River, a factory making a car named after the French racing driver, Louis Chevrolet, moved to Detroit. So did other cars, most of which were aggressively advertised, too. Now Detroit is the automobile capital of the world. When you visit its far-flung factories, you learn what continuous advertising of good products can do.

### Opportunities for all

THERE are endless opportunities in a free country to advertise.

Glance, for instance, at this list of advertising carriers. Every medium on the list is popular. All compete for the patronage of leading advertisers. The advertiser is free to make a sensible choice among them, depending on the needs of his business and the convenience of his customers:

1. Periodicals.
  - a. Magazines.
  - b. Newspapers.
  - c. Trade journals.
2. Signs.
  - a. Outdoor panels, wall-paintings.
  - b. Electric signs, spectaculars.
  - c. Car and bus cards.
  - d. Point-of-sale; window and counter cards.
3. Radio.
4. Stunts: movie slides, skywriting, etc.
5. Direct: by mail, by messenger.
  - a. Letters, folders, booklets.
  - b. Catalogues.
  - c. Samples.
  - d. Novelties, etc.

Dozens of factors affect the choice of any medium. Buying power of the public reached, interest of that public, state of competition inside that public, geographic distribution, and cost are just a few of them. With the many advertising carriers in America, the enormous appetite of our people for newspapers, magazines, the radio,



*In times of emergency the Government has turned to advertising with as much emotional appeal as it could possibly pack into a limited space.*

### How a product was born

When we entered the war, our Government subsidized the building of large plants for the making of a surgical substitute dressing. With the war ended the output of these plants was no longer needed. An ingenious, venturesome manufacturer with one such plant on his hands perfected his product for use by women. Instinctively an advertiser, he coined a good name—Kotex.

Large capital expenditures had to be made, large sums spent in spoken and printed salesmanship.

The product first appeared at 65 cents. In time, through the education given to women by advertising (not by indexing the advantage of Kotex but by emotional appeals) the volume grew so that today Kotex is vended at 20 cents, list price.

Furthermore, since the product has been constantly improved through scientific experiment, a much better article is offered the public at less than one-third the original price.

—Albert D. Lasker

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**Rule for successful advertising**

Don't tell people how good you make your goods. Tell people how good your goods will make them.

—Kenneth M. Goode

**Wrigley's biggest job**

If I would reduce my advertising, my sales volume would fall behind. If I stopped advertising my business also would stop in time.

There is just one thing I insist upon and that is that I, and I alone, be the Czar of my company's advertising. . . . Advertising should be the work of one man in the business because a diversity of ideas will inevitably spoil it. . . . Advertising is my job because it is far and away the biggest and most important thing about this business.

—William Wrigley, Jr.



The Stanley Stanhope Model, No. 1

**"LOCOMOBILE"**

is Ready for Delivery. Price \$600.

It is a necessary economy to every horse-user of moderate means. Its speed and radius of travel is double that of any equivalent expenditure in horse traction. It is the most fascinating and useful vehicle ever produced—light, stylish, efficient, noiseless, and odorless, and readily operated by the inexperienced.

THE STANLEY LOCOMOBILE is driven by steam—the one power universally known and understood. The boiler automatically controls its supply of water and fuel, thus requiring no more care than a kerosene lamp. It is constructed to bear twenty times the greatest strain that can be brought to bear on it. The engine consists of two cylinders sitting directly on the driving axle with an automatic machinery of very fine and is literally as simple as a pump. If accidentally flooded, it can be readily started by any unskilled person. The cheapest liquid fuel is used. It can be started at any moment on any road. The rate of speed varies from a snail's pace to the limit, and is limited only by the character of the road up to 40 miles per hour. It will climb a 30 per cent grade. Fifteen per cent is called "a steep hill" on a country road. It weighs less than 600 pounds. A more detailed description will be gladly furnished to anyone. Order from

THE "Locomobile" COMPANY OF AMERICA.  
1001 East Main Street, Portland, Or. Agents: Loomis, Brown, Van Pelt, etc. Agents: J. Brown, J. T. Brown, etc.  
New York Office: 100 Broadway. Agents: J. H. Brown, J. H. Brown, etc. Agents: J. H. Brown, J. H. Brown, etc.  
Other models: McCarty's, etc. and many in stock.

CULVER

An 1899 automobile advertisement serves to accent the growth of a great industry—"Driven by steam—the one power universally known and understood . . . speed is limited only by the character of the road up to 40 miles an hour."

movies, motoring past outdoor panels, and reading catalogues, there is no lack of means for reaching customers through advertising. And, in general, the American public is friendly to advertising, and regards it as "part of the show" in life. Dull or obviously dishonest printed advertisements are skipped. Dull radio commercials are dialled out. Dull commercial motion pictures seldom hit the screen.

But most American advertising is lively and interesting. A Chattanooga automobile dealer hoists this sign:

**U. S. DAM SITE BETTER USED CARS**

A Boston refreshment stand (among others) displays this piteous appeal:

**DRIVE IN, OR WE BOTH STARVE**

A Virginia farmer, with a flash of humorous revolt against the antiquities of his state, advertises:

**YE OLDE FRESH EGGS**

And, whenever one travels, one finds similar expressions of American wit; finds them most of all in the periodical and radio advertising prepared by professionals, where a good new pun is as priceless as it would be in a humorous paper or on the stage.

"Nature in the Raw is Seldom Mild," once advertised Lucky Strike. Quickly came Macy's department store with the picture of a baby screaming for clothes or other comforts, and the caption, "Nature in the Roar!" Pun after pun, quip after quip, brightens the advertising columns now. The purpose is serious. But the men and women who prepare modern advertising have learned from good salesmen to approach prospects with a smile.

Behind the humor there is sharp research into buying moods and motives; careful testing of copy before it is published; and tremendous ingenuity to find offers that are attractive, and guarantees that carry conviction to the customer who hesitates.

**Rogues thrive only briefly**

DOWN the long history of American advertising, only a few rogues have thrived, and those few for short periods.

There was a time, 100 years ago, when capable physicians were rare in this country. People dosed themselves, both with dreadful concoctions made from their gardens, and with patent medicines from the store. Then arose a swarm of nostrums for the "cure" of every disease. These nostrums slew their thousands. Many of them existed for no other purpose than, as has been said, "to make ailing women happily drunk at home."

But the advertising of such pain-killers and fool-killers was thrown out by most newspapers and magazines at least 25 years ago. As good doctors became more common, the thirst for patent medicine abated. In their wake came some cosmeticians who preyed on women's vanity, wily scoundrels who offered perpetual youth in the form of lotions and creams.

"The positively charged electric particles in this cream draw out

the negatively charged impurities under the skin," trumpeted one of them, not more than five years ago. Others promised to "make women of 50 look like 20." And so on. It seemed a great racket. But it was not.

The success of any article sold in packages depends, of course, on repeat orders. Few if any lasting fortunes have been made by lying proprietors of cosmetics. Women buy once. When they notice no results, except perhaps a rash or eruption, they do not buy again. Most of the permanently advertised beauty preparations are made of ingredients which any dermatologist will tell you are good for the skin. And reputable department stores and drug stores, in sheer defense against damage suits, will handle no beauty preparation to which women in the mass are allergic at all.

So there is no "case against advertising" any more than there is "a case against religion" or "a case against law."

The senders of the advertising message (manufacturers, merchants, bankers, insurance men, hotel keepers, theater men, transportation chiefs, and others) are well satisfied with modern advertising's character and performance. If they were not satisfied they would stop placing it.

The receivers of the advertising message (retailers and ultimate consumers, movie and theater goers, travellers, and others) are equally satisfied. Otherwise, they would stop reading newspaper and magazine advertisements, draw false mustaches on all the women on panel boards and car cards and junk their radios.

### What's all the shooting for?

SO what is the agitation against advertising all about?

Who, if any, are advertising's foes?

They are a motley array.

You would be startled if, like a regiment, they could all be drawn up together to charge the enemy. In the ranks, gentle old club-women, yearning to do good, would rub elbows with lame-duck Congressmen, yearning for nothing more idealistic than a safe berth on a government commission.

Rabbits research scientists would find themselves arm in arm with Union Square's hoarsest May Day orators.

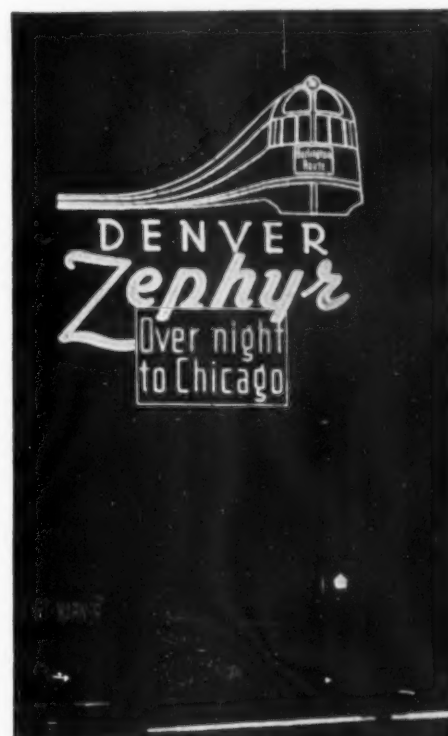
Quiet, retired annuitants would be jostled by bristly-jowled devotees of *The New Masses* and *Das Kapital*.

Ignoramuses of all kinds would find themselves marching shoulder to shoulder with desperate little college professors, crushed by poverty and boredom, who are nevertheless determined to make a stir *somehow*.

Many of these are among the foes of advertising.

The array of these foes is swelled by exiles from advertising's own ranks; former advertising men and women who didn't quite make the grade or to whom advertising proved uncongenial. A non-lover of advertising is James Rorty, excellent writer, who in his book, "Our Master's Voice," records that in his early youth he was employed by an unsympathetic advertising agency.

His work was a grind. He was often compelled to write advertis-



CULVER  
The advertiser is free to make a sensible choice between many types of media—even darkness is no handicap in reaching interested customers.

### First aid to salesmen

Advertising makes more sales by making selling easier for salesmen. It also allows the manufacturer who uses his advertising properly to reapportion sales expense and either take from the retail price, as some companies do, or while maintaining the same retail price, as my company does, to allow greater commission to the men who are so primarily responsible for the successful distribution of the company's product. Personally, I lean to the idea of passing on these advertising benefits to the men who work for me.

—F. L. Maytag

### So competition is sinful

Competitive business is war. Advertising is a means by which one business competes against another business in the same field or against all business, for a larger share of the consumer's dollar. The pother about ethics, about "truth in advertising", is now, and has always been, too silly to waste time over.

—James Rorty, in *The Nation*, December 20, 1933





One of the earliest scare advertisements. Published 1872. The dream itself looks like it might be worse than the most horrible accident. Today there is no more dignified advertising than that of the insurance companies.

### The yearning for Utopia

The best "service"—a word now almost battered beyond recognition—is to supply an article that is explicitly represented to begin with, and that will stay sold because it has been inspected and tested to conform to such repetition. A man who takes back a defective article and receives his money—or part of it—is not compensated for the merchant's mistake or ignorance. Who is to pay for his time and trouble experimenting with the article, wrapping it up and taking it back, hunting around for a satisfactory substitute? Worse still, a householder who has an electric refrigerator that works badly cannot be contented by the sending of one repairman after another "free of charge." Who is to pay her for the spoiled food, and for the kitchen in an uproar every time the "service" man arrives with his wrenches? "Service," "guarantee," "money back"—are all devices for locking the stable door after the horse is gone . . . again, we repeat, with a few honorable exceptions. Standards and specifications lock the stable with the horse in it.

—Stuart Chase and F. J. Schlink, "Your Money's Worth," 1927

### Stuart Chase at his peak

Since the depression of 1930, in America, deranged and despairing fathers, mad with the strain of insecurity, have butchered their whole families bloodily with axes. No former civilization has suffered so.

—Stuart Chase, "The Economy of Abundance," 1934

ing in behalf of products concerning which his information was almost nil. Unhappy hours spent in youth stick long in mind. What more natural than for Mr. Rorty to believe that all advertising men are drudges, that all copy is superficial, that most of the money is ill-spent?

To be sure, few exiles from advertising have the wits needed to write a book. But they can talk. They call advertising agencies "mad-houses." They call publishers "prostitutes." They denounce the radio for having any commercial messages at all.

Among these exiles are some who lost their jobs through no fault of their own, when times grew hard. But many are ex-artists whose pictures had no sales appeal, ex-copywriters who never thought it necessary to learn how to write, ex-typographers whose weird arrangements of printing type would have put a Chinese puzzle-maker to shame.

And along with these specialists in inefficiency, the oldtime advertising business had its quota of boors, and also of weaklings who drew more comfort from bottles than from achievements. All industries have many incapable men. But in no industry did they stick out, all over the country, as they did in the advertising business 30 years ago. Advertising was just becoming recognized for the mighty force it is. What more natural than for many incompetents and charlatans to drift into it, even under peril of being ruthlessly cast adrift when hard times came?

### Reformers hope for the worst

BUT their works live after them. The pseudo-medical advice they gave the public, the wild claims and the language of shameless puffery, although now virtually extinct, still live in the memories of reformers. True, the reformers would search the leading periodicals in vain for that kind of extravagance today. But it has long been noticed that reformers hope for the worst.

A crusade has no zest unless the powers of evil are getting along extra well.

We have mentioned a few prominent types of these crusaders against advertising. Among them, clubwomen have been most numerous. They have heard speech after speech from economists seeking to prove that we should all be richer if all the money spent for advertising were only divided among us! That pleasing fallacy has made the rafters ring in many a woman's club. And when the economists have said their say, the clubwomen have thrilled to many an orator who came to decry the worth of advertised articles.

In a comfortable room after a copious lunch, any skilful speaker can make a great effect with this theme. He may flatter his audience with what seems scientific proof that store cheese is chalk. Or he can yearn for the return of the Seventeenth Century and its handcraftsman, with good confidence that none of the women knows anything about the Seventeenth Century and its handcraftsmen. He can hold up every modern business man as a monster of selfishness. None of the women will identify that monster with her mild, tired husband, who has been trying hard to hold his company together.

A clubwoman who has applauded this speech becomes a different woman when she goes into a store. She may have agreed, under the heady influence of oratory, that all trade-marks are marks of the beast. But, when she buys for her household and herself, trade-marks become her assurance of value. They mark what she knows and buys and likes.

When she becomes a satisfied customer, for instance, it requires some major calamity, like the departure of an agreeable salesman, to divorce her from her daily trips to that store. When she comes under the spell of Tiffany, Marshall Field, Woodward & Lothrop, Halle, Filene, Forman, or I. Magnin, what sorcery can break that spell? When she trusts Elizabeth Arden, Listerine, Ipana, Unguentine, Mum, and Revlon, what are the arguments that will break her confidence?

### All women want value

IN THIS RESPECT, as in some others, women are just like men. Clubwomen are just like homemakers or wagewomen. Well-advertised names of well-made products have a magic that grips people hard. There is wizardry in the names Frigidaire, Kelvinator, Mazda, Crane, and Johns-Manville, just as in the name Dole, Kellogg's, Swift's Premium, Campbell's, Heinz, and Quaker Oats.

Imagine an effort to cite *all* the names that have become household words through manufacturing, good advertising, and good selling. Make your own list of household words from American business. When you have written Bell telephone, Kodak, Burroughs, Schick, Remington, Goodyear, Kotex, Arrow, Dictaphone, Colgate, Dobbs, Dodge, Holeproof, Red Heart, Addressograph, Texaco, Wrigley, Carter's Ink, Bakelite, White Rock, Chesterfield and Seagram, your hand may be weary. But, without thinking hard, you can write a couple of hundred more. And then another hundred names of universally sold products, *before* you get to all the insurance companies and banks that have made themselves household words, and the airlines, the railroads, the steamship companies, motion picture producers and the almost endless list of foods.

All their names spring into your mind whenever you enter a store.

Against this ability of good advertising to etch trade names forever into the human memory, the arguments of reformers and abolitionists fall short. They do not even make interesting reading. There are, for instance, three "testing bureaus." Consumer's Research, headed by F. J. Schlink, came first. It was followed by Consumers Union and Inter-Mountain Consumers' Service.

Their field is denunciation. Their bulletins have consisted largely of sneering criticism of the value of manufactured articles in most lines. Any of them might display, as a motto, Emerson's famous wheeze:

"Everything God ever made has a crack in it *somewhere*."

Under this motto, which also applies to the works of man, the testing bureaus have had as much cruel fun with the products of industry as the old *Quarterly Review* had with the poems of John Keats. Those poems are today recognized as top masterpieces in

### The Prince of Wales used this one

He who whispers down a well,  
To tell the world he wants to sell,  
Will never win the golden dollars  
As he who goes around and hollers.

—Anon.

### Three roads to the mind

Paid advertising, free publicity, and our public education system are the three main highways into the American national mind. Paid advertising has never yet been expected to tell the whole story of business. When that happens, we will all be bright.

—Ben Lichtenberg



CULVER

Cigar store Indians are now as obsolete as wigwams—they passed out about the same time that advertising began a more realistic upsurge.

### Staying blind on purpose

The trouble is that the spirit behind all this is not spirit of regulation but of annihilation. There are men in power in Washington who believe that advertising is economic waste. By a sum in simple arithmetic they could see that advertising is a selling cost, and a cheap one, but they do not wish to see that.

—Fulton Oursler



Window displays are arranged to catch the eye of hurrying pedestrians—quicken the urge for vacation traveling and encourage us to get acquainted with neighboring peoples.

English literature and nobody can remember the names of the critics who attacked them. So it has been with most critics.

The technique of the testing bureaus is not wholly successful. They start with the premise that they exist to defend the consumers of America against dishonest manufacturing and advertising, which listens well.

In each kind of manufacturing, they then select a few—a *very* few—articles to be listed as “Recommended,” or as “Best Buys.” If they were *really* trying to serve and not just startle or shock the subscriber, they might readily find many more articles to praise.

Perish the thought!

The testing bureaus should surely exist to find and commend the products of desirable new manufacturers and of honorable old-established factories. But detraction is their delight.

This being true, the various testing bureaus demonstrate that there is but a slim market for their bulletins.

At two or three dollars a year, if these bulletins were any real use to people who needed to spend their money efficiently, there would be a potential market of at least 30,000,000 subscribers. Actually, no more than 125,000 subscribers have been found. People find that the spirit seems to be detraction, not service, and interest naturally lags.

One class of readers, however, who have taken the bulletins seriously is made up of government officials, *new style*.

Government officials, *new style*, have a save-the-public-if-it-kills-'em complex. Scratch a bureaucrat and you find a Perfectionist. The bureaucrat is a man or woman who (like a devoted maiden aunt) is going to cure your cold, straighten your teeth, and give you lessons in etiquette and pyrography, if it takes every last dollar you will ever make!

### The officials longed to believe

SUCH government officials examined, and took seriously, several vigorous books put out by the impish ex-accountant, Stuart Chase. Bored by auditing other people's accounts in Boston, Mr. Chase at 30 went to work for the Federal Trade Commission. After five years of that, in days when the F.T.C.'s work was laborious and unpublicized, he dipped the pen of sarcasm in the ink of foreboding, and started to write popular economics books.

The titles of the books he wrote include “The Tragedy of Waste” and “The Nemesis of American Business.” The young accountant had become, almost overnight, a modern Jeremiah. He never quite touched the heights reached by the ancient Jeremiah, an excessively gloomy old gentleman who penned predictions like this:

Both the great and the small shall die in this land; neither shall men lament for them.

And,

Behold I will send serpents, cockatrices, among you which will not be charmed, and they shall bite you, saith the Lord.

Musing perhaps on the serpents and cockatrices, Stuart Chase



in 1927 wrote "Your Money's Worth," a lively, cynical volume which suggested that the reader was not getting his money's worth when he bought many popular articles. There was always a feeling in Mr. Chase's mind that if we'd only start making floor-wax at home, we'd be kept out of expensive mischief, and still have slippery floors.

This was, to most adults, an amusing fancy. To sub-adults, it seemed a new way of life. When Mr. Chase saw a name high in industry, he whacked it in passionate prose. Out of "Your Money's Worth" sprang the testing bureau, Consumer's Research. This bureau had a few small buildings in Washington, N. J., and a hearty desire to "test" all merchandise offered for sale, and to condemn most of the serpents and cockatrices, in human form, who made and advertised it.

### A governmental maiden aunt

BUT condemnation, as we noted before, attracts few regular readers. A few serpents and cockatrices continued to bite. Advertising men of high repute were among those citizens who felt that fake claims and deceptive promises in advertising should be abolished through the Wheeler-Lea amendment to the Federal Trade Commission act.

Wheeler-Lea, as everyone knows, took the F.T.C. out of its lonely bedroom on the third floor back, and put it on the front porch where all the neighbors could see it. Among all the Government's teeming commissions, F.T.C. is the true Maiden Aunt.

Not the kind of jolly Maiden Aunt who buys candy for the boys and girls, and plays games with them in the long winter evenings. The F.T.C. is the kind of Maiden Aunt who is nervous about noises. If she hears the children at all, she is sure that they're up to no good. If Johnny blows his horn, it makes her headache worse. If little Susie stumbles on the stairs, it sounds like the whole house falling down.

Gilbert and Sullivan wrote many an extravaganza. But never did they invent, in "Pinafore" or "The Mikado," anything so side-splitting as the efforts of serious bureaucrats to purify all advertising in the interests of the consumer. The assumption seems to be that every consumer is a moron, and every manufacturer a highly proficient peddler of wooden nutmegs who is never coming around to that household again.

The fact is, all advertising censors itself. The poorest of all places to tell a lie, or to promise too much, is in public. *Somebody* will shout, "Oh, yeah?" if a liar tries it in a speech; *somebody* will write to the editor, and to the Better Business Bureau, and to the Post Office, if he tries it in an advertisement.

And, even if nobody hollers, the people who are stuck with dishonest merchandise, or who are forced to pay too much for honest merchandise, do *not* come round again to the store where they were stuck. The burned child dreads the fire.

Does the F.T.C. know this? Do our maternal government bureaus and commissions know this?

### When advertising doesn't pay

The solution to the problem of ineffective advertising lies in the hands of those who use it. Instead of letting their advertising be determined by their personal opinion, they should lay the yardstick of sales return against it.

Advertising can't always be expected to produce, but over a reasonable length of time it should sell something, and the advertiser should insist upon this result.

This is a vital issue, on which Association of National Advertisers might concentrate for a few years. For the incompetent advertisement is one of the biggest wastes now riding upon the back of business.

—J. R. Adams, "More Power to Advertising," Harper, 1937



The Federal Trade Commission building where the members in the past fiscal year read 220,760 printed advertisements, negotiated 230 stipulations.



erations ago. Then they were called pedants and doctrinaires. A favorite name for a professor on the stage was Dryasdust.

Times have changed. Curriculums have expanded, so that an ingenious, forward-looking professor can now profess any branch of learning that appeals to him.

Columbia University, for example, offers courses in practical electroplating, problems of authorship, identification of trees, shrubs and vines, publicity for libraries, advanced juvenile story writing, modern office appliances, and hand bookbinding.

Younger universities are not outdone. Especially in their economics, government, and domestic science departments do you find young professors who feel a solemn call to reform the nation, beginning with its school children.

Parent after parent has been surprised to find modern business denounced in textbooks written by these professors. Dr. Tugwell, of Pennsylvania and Columbia (the same young professor who flashed like a rocket in the New Deal between 1933 and 1937) has a textbook entitled "Our Economic Society and Its Problems." With his co-author, older professor Howard C. Hill, he has informed those high school students who can pierce the jungle of his verbiage that:

The enormous expansion of American business during the present century has been accompanied by an equal development in the technique of salesmanship. Advertising serves a worth while purpose in so far as it educates people as to relative values. But advertising today is too often only an aspect of competitive profit-seeking. As such, it presents two evils: (1) Enormous waste involved in the efforts to turn the trade from one firm to another when their products are identical in value; and (2) fooling consumers rather than enlightening them by the advertising process. . . . Even if we assume that all the products advertised are worth while, a tremendous social waste is involved.

NATION'S BUSINESS has quoted this strange passage before, may do so again. It presents the curious belief that there is something damnable in competition.

#### Wicked in business only

THE PRESIDENT of the United States may (and does) throw out the first ball, when the Washington baseball team goes into a season's intense competition. Other government officials may (and do) attend such "competitive profit-seeking" activities as horse-racing. Many a Commissioner cheers his son in the thick of a football game, or smiles as his daughter cages the winning goal in that competitive effort, a basketball game.

Only in business is free competition regarded as something wicked and baleful. Business should be (and is) castigated for daring to suggest that corporations, like men, are equally entitled to life, liberty and the pursuit of happiness—if happiness means profits.

But there would be no American business, in the present sense, if the most social-minded of the present federal officials, ex-officials, and would-be officials got their way.

There are many anti-advertising, anti-competition professors,



When you visit an automobile factory you learn what continuous advertising of good products can do.

#### Why reformers fail

The less one aims at getting imitated, the more likely one is to succeed. The psychological principle on which this precept reposes is a law of deep importance in the conduct of our lives, and a law which we Americans most grievously neglect. Stated technically the law is: *strong feeling about one's self tends to arrest the free association of one's objective ideas and motor processes.*

If we wish our trains of ideation and volition to be copious and varied and effective, we must free them from the inhibitive influence of egoistic preoccupation about their results. Such a habit, like other habits, can be formed. Emotions of ambition have, of course, a needful part to play in our lives. But confine them to the occasions when you are deciding on your plans of campaign, and keep them out of the details.

When once a decision is reached, and execution is the order of the day, dismiss absolutely all care about the outcome. *Unclasp*, in a word, your intellectual and practical machinery, and let it run free. The service it will do you will be twice as good.

—William James, "On Vital Reserves."



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Chewing tobacco, cigar and cigarette advertising has been a leader in the use of all types of media for decades. This early, colorful lithograph was one of a series portraying the life of Rip Van Winkle—was used as a poster and in miniature for collections.

#### What do you mean, Advertising?

The word "advertising" is an oratorically elastic term. Nothing in this world could increase in use except by people seeing it, or learning about it somehow. A new sort of automobile standing in front of its owner's home is better advertising than the average printed circular, or magazine or newspaper advertisement of that car.

Include as "advertising" all demonstrations in the hands of satisfied users; all man-to-man and woman-to-woman praise of products; all piles of goods on counters; all window displays; all recommendations by retail clerks; all flashes in movies, and all mentions in editorial columns. Then no claim as to the good or bad influence of advertising can be called excessive.

—Kenneth M. Goode, "Modern Advertising"

popping off on all platforms. Big business is their hobgoblin. Like the Fat Boy in Dickens, they seek to make their hearers' flesh creep with the tale of its misdeeds.

Active in the agitation against advertising was J. B. Matthews, formerly vice president of Consumer's Research. With R. E. Shallock he wrote "Partners in Plunder," one of the most rip-roaring attacks on advertising. But to the Dies Committee, on December 3, 1939, he made a report including this charge:

Communists understand that advertising performs an indispensable function in a mass production economy, and that advertising as an economic process, wholly apart from questions which have to do with good or bad advertising copy, is as essential a part of the distributive mechanism as are railroads and retail outlets. Therefore, Communists believe that to sabotage and destroy advertising, and through its destruction to undermine and help destroy the capitalist system of free enterprise is a revolutionary tactic worthy of a great deal of attention.

The Special Committee on Un-American Activities is in possession of evidence which shows that a great part of the current popular and official attack upon advertising is the direct result of Communist propaganda in the field of consumer organization.

By way of proving his charge, Mr. Matthews alleged that the first of the Communist Party's consumer organizations was the League of Women Shoppers, organized in 1935. Its most active organizer, he said, was Susan Jenkins, who had been an employee of the *Daily Worker*, official Communist Party daily newspaper.

#### What the Committee heard

THE FIRST secretary of the League of Women Shoppers, according to Mr. Matthews, was Helen Kay, formerly the editor of *New Pioneer*, official publication of the Communist Party's organization for children.

As for Consumers Union, Mr. Matthews (himself admittedly a former "fellow traveler" of the Communist Party) charged that its director, Arthur Kallet, was a member of the editorial board of the Communist publication, *Health & Hygiene*; and that, when that publication was suspended, its unexpired subscriptions were filled by Consumers Union.

In fact, Consumers Union came in for clear and detailed attention in Mr. Matthews' report. Two more paragraphs:

On the board of directors of Consumers Union are the following: Robert A. Brady, one of the signatories of the recently published "Open Letter" which lauded the Soviet Union . . . Jerome Davis, Communist fellow traveler, recently defeated as president of the American Federation of Teachers on the issue of Communist Party control of that union; A. J. Isserman, who appeared before the Special Committee on Un-American Activities as counsel for the International Labor Defense . . . one of the Communist Party's "united fronts"; Kathleen McNerney, former secretary of the League of Women Shoppers; and Arthur Kallet.

Harry Bridges is among the sponsors of the West Coast section of Consumers Union.

Equally detailed were Mr. Matthews' charges concerning the

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Consumers National Federation, which listed the following organizations as sponsors of one of its early conferences: Consumers Union, Milk Consumers Protective Committee, American Youth Congress, League of Women Shoppers, Progressive Women's Council and the Workers Alliance.

"All of these," remarked Mr. Matthews, "are Communist 'transmission belts.' Donald Montgomery, consumers counsel of the Department of Agriculture, has been active from the beginning in the work of the Consumers National Federation."

### No one likes the word

IT IS a strange fact that nothing annoys a Communist or a non-Communist so much as being called a Communist. The Matthews charges were, of course, met with a cloud of denials. Mr. Kallet denied all. Miss Jenkins denied being an organizer of the League of Women Shoppers, stating also: "I am not and have not been a Communist or a fellow traveler."

Others who denied Mr. Matthews' charges were Helen Hall, chairman, and Prof. Robert Lynd, vice chairman of the Consumers' National Federation. Prof. Colston E. Warne of Amherst College, president of Consumers Union, described the report as "indicative of the unfairness of the Dies Committee."

On the Committee itself, Representative Voorhis of California, remarked that the report "attempts to brand as Communist intrigue the teaching of young women to be wise buyers, or the efforts of consumers to secure the honesty in advertising which every reputable merchant and business man in America desires as much as consumers do."

To Representative Voorhis' remark about honesty in advertising, all can say, "Amen." Dishonest advertising is as inefficient as dirty play in football; it is committed in full view of the officials and the audience.

The Postmaster General has been empowered, since 1872, to forbid the use of the mails to persons operating fraudulent schemes, and to cause the prosecution of these swindlers.

Publishers, since 1860, have been naturally eager to debar fraudulent advertising from their columns. In 1880, the Philadelphia *Farm Journal* began to guarantee the reliability of its advertisers. In the October, 1880, issue appeared this pledge:

### FAIR PLAY

We believe, through careful inquiry, that all advertisements in this paper are signed by trustworthy persons, and to prove our faith by works we will make good to subscribers any loss sustained by trusting advertisers who prove to be deliberate swindlers. Rogues shall not ply their trade at the expense of our readers, who are our friends, through the medium of these columns. Let this be understood by everybody now and henceforth.

Similar guarantees were published by *Farm Life*, in 1897, by the *American Agriculturist* in 1900, and by many other farm journals. Editorially, the *Rural New Yorker* exposed many frauds operating at the expense of farm families.



EWING GALLOWAY  
Large scale production of household appliances has made them available to millions of housewives. But back of mass production was the printed sales appeal that made them wanted by practically every housekeeper in America.

### Motto for the radio

The grace of listening is lost if the listener's attention is demanded, not as a favor, but as a right.

—Pliny, Epistles

### From a pundit

I have mentioned puns. They are the wit of words. They are exactly the same to words that wit is to ideas. Puns consist of the sudden discovery of relations in language.

—Sydney Smith

### And advertise the station

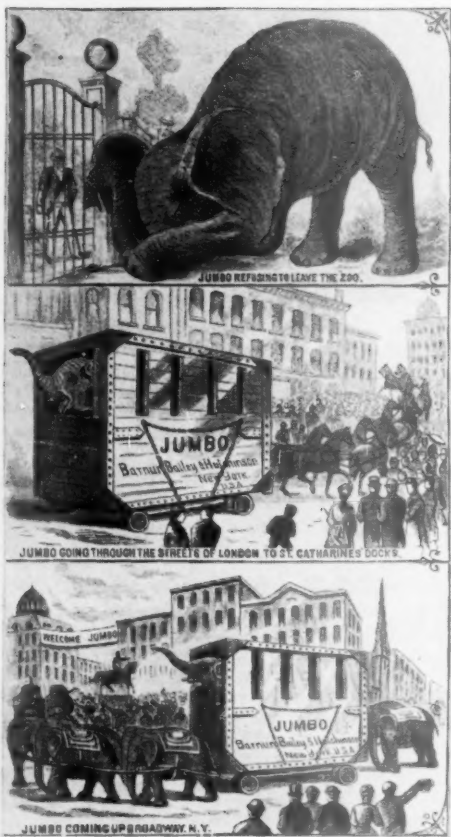
If you want to be satisfied with your lot in life, build a service station on it.

—Sign in lunch counter

### Which was the big idea

The prime reason why we have had such marked success with our use of advertising lies in the fact that we have been able to administer our advertising money in such a way that for every increase in advertising we have been able to obtain a commensurate increase in net profits.

—Gerard B. Lambert



Advertising made Jumbo a world famous character. Had Mr. Barnum failed to tell the world about him, Jumbo's fame would never have spread beyond the limits of a London zoo.

First of the general magazines to guarantee its advertising, and to set up a testing laboratory to help determine the value of advertised products, was *Good Housekeeping*. Started in 1906 by Richard H. Waldo, the Good Housekeeping Institute was headed by Dr. Harvey W. Wiley, father of the Pure Food and Drug Act, and has been in continuous operation ever since.

The long drawn out attack on *Good Housekeeping* by the F.T.C. for permitting its seal of approval to be too indiscriminately used, will possibly have ended by the time this supplement appears. Meanwhile *Good Housekeeping* has continued to hold the confidence of its millions of readers.

### Advertising cleaned house early

HOW the advertising men of America rallied to the support of truth in advertising is most interestingly and fully told by H. J. Kenner, general manager of the Better Business Bureau of New York City, in his fact-studded volume, "The Fight for Truth in Advertising," published in 1936.

This book is "must" reading for anyone who discusses the subject on either side.

Here you will read not only of Waldo's work at *Good Housekeeping*, and Samuel Hopkins Adams' work at the *New York Tribune*, but of the formation of the Advertising Federation of America, and the Better Business Bureaus. Here you will meet those oldtime advertising men, Herbert S. Houston, John Lee Mahin, Harry D. Robbins, O. C. Harn, P. L. Thomson, and hosts of others, living and dead, who built advertising and advertising ethics in America.

The book is as interesting as any detective story. Some of its chapters are: "Blocking Blue-Sky Promoters," "Oil Wildcats and White-Collar Bandits," "Fighting Fraud by Education," "Routing the Tipster Sheets," and "Correcting Unfair Price Advertising." It tells, too, of the "Printers' Ink model statute" against fraud in advertising, which has been enacted in 24 states through the efforts of the advertising clubs.

Another great and successful effort toward self-regulation is the Audit Bureau of Circulations, started 26 years ago to give accurate knowledge of newspaper and magazine circulations to advertisers, based on audits and sworn statements by the publishers.

There are not many great books on advertising. Most are complicated by technical terms. Some are highly readable, like "My Life in Advertising," by the late Claude C. Hopkins, and "Advertising Media and Markets," by the still young Ben Duffy. Other good titles may be discovered by visiting the offices of the Association of National Advertisers, 330 West Forty-second Street, New York, and the American Association of Advertising Agencies, 420 Lexington Avenue, New York.

In order of establishment, the most worth while advertising publications are *Printers' Ink*, *Advertising & Selling*, *Tide* and *Advertising Age*. All may be thought at first too technical, appealing as they do to specialized audiences, for reading by the business man. But all repay better acquaintance. On the whole, America has no



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better edited or more high minded business magazines. And *Printers' Ink* was the first magazine in the world to develop the "tabloid" format made so universally popular by *Readers Digest* today.

In every city of importance is an advertising club. Its officers will be found generally informative and genial. The honest seeker for information will not be rebuffed. Too many business men allow personal considerations to dictate the choice of advertising counsel. The only good advertising counsel, from the business point of view, is the one who can produce effective advertising. Other friends among advertising men should be retained—as friends.

The war for new "accounts" rages briskly among advertising agencies, precisely as the war for customers has always gone on among printers and engravers.

It is a safe prediction that agencies will grow fewer and larger. The endless new things in modern advertising (consider, for instance, what you may do with television) make the work too crushing for the "one-man agency" to perform.

Much of the work formerly imposed on advertising agencies, but not chargeable under the existing method of compensation, is being effectively taken over by public relations counsel, both inside large companies, and in the form of the numerous public relations firms now springing up. This work is sharply separated from paid advertising; it concerns itself with special education work and publicity.

The younger a receiver of advertising, the more open is his or her mind to messages of interest. The seeds of lifetime buying habits are sown in the minds of young people—even children who listen eagerly to the radio at four or five years, and who start reading periodicals and catalogues at five and six.

#### Still learning new lessons

MORE AND MORE, advertising men are realizing the importance of extreme clarity in text, illustrations and layout, to enable more people to read advertisements. Pompous language and art are largely thrown away.

The light touch, puns, plays on words, and the like are now desirable in advertising, provided they are clear to all. Long words, and long sentences reduce the actual number of readers.

Outdoor panels used to be carefully read by people jogging along in buckboards and surreys. Now they must be taken in by people hurtling at a mile in less than a minute. Words must be held to a minimum.

Car cards must now vie in punch and entertainment value with the popular tabloid newspapers that were invented chiefly to read in crowded cars and buses.

Because news photography is getting better and better by the minute, advertising photography must be improved, to hold its own.

Advertising is not an art that anyone can practice by intuition.

The business leader who is not expert in advertising should study it, whenever possible, under the genial and experienced tutelage of such veterans as—to suggest only a few among hundreds—Earnest Elmo Calkins, Condé Nast, Charles C. Parlin, Paul T. Chering-



Government understood the value of advertising many years ago as indicated by posters calling for Civil War volunteers. The same technique, highly modernized, is still in vogue.

#### Still Caveat Emptor in politics

It is still true of all human nature that it likes to exaggerate the good features of what it has to sell. Bring it home to the bureaucratic regulators themselves. They are generally political appointees. To get their jobs they had to get their friends to write letters of recommendation to the appointing powers—that be. How many of those letters, as honest statements of the qualities of the merchandise represented, would pass the scrutiny of labelling and advertising regulators of the Federal Trade Commission?

—Fulton Oursler

#### And in the best headlines

The seeds of punning are in the minds of all men. They will be very apt to shoot up in the greatest genius.

—Joseph Addison

#### Sheriff, stay 'way from my door

Advertise, or the chances are that the sheriff will do it for you.

—P. T. Barnum

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EWING GALLOWAY  
Advertising is generally recognized as the motive power that makes safety campaigns effective.

### The wheel and the motor car

There is no truth in Emerson's old adage about the better mouse trap. Somebody invented the wagon wheel centuries before the Roman Empire but it had not yet rolled to the farthest limits of civilization when that empire was crumbling away. This was so because word of mouth advertising is slow. The automobile, on the other hand, became a universal method of locomotion in the short space of ten years. Modern, organized advertising performed this miracle.

—Kenneth Collins

### Producers and Spenders

Business men are adders and multipliers by occupation. Their business is to increase the wealth of the country—make more goods, more jobs, more prosperity for all the people. Politicians are subtractors and dividers. They produce no new wealth and are constantly promoting schemes for subtracting and dividing the wealth we already have.

—R. Perry Shorts, President, Second National Bank & Trust Co. of Saginaw, Michigan, in *A Defense of the Business Man*

ton, Lee W. Maxwell, George W. Kleiser, Paul B. West of the A.N.A., John Benson of the Four A's, and others who have played an active part in the whole pageant of modern American advertising.

A few words from such men may be priceless in saving time and mistakes; and such men fortunately are available in most cities. In conversation with them, the real value of advertising becomes apparent. They have seen its failures, usually caused by too hasty preparation, or by underestimating the common sense of the American public. Because advertising will *not* repeatedly sell silk purses that are actually sow's ears.

But the veterans of advertising have seen advertising's successes, too.

They have seen it drive new product after new product into the American consciousness and the American home. They have seen it reduce the price of commodity after commodity by increasing its acceptance and decreasing its manufacturing and selling cost. The costly luxuries of yesterday thus become the ordinary purchases of today.

### Democracy gets benefit

MORE than any other force, advertising in this way contributes to democracy. It breaks down the wall between the people in small towns and people in the great cities. The small-town dweller learns what is in fashion, in the best sense of that word. For instance, the bath tub and water circulating system which the remote family buys from a mail order catalogue makes conventional what a shockingly few decades ago was the dangerous metropolitan novelty of taking a bath! So with clothes, with prepared foods, with all the gadgets that are the spice of life!

It is strange that those who prate most loudly of liberalism and democracy are the very ones who would deny advertising to "the masses."

Persons who oppose mass selling really oppose mass production and, in so doing, they would deny to the average family those articles which the average family most wants.

So the crusade against advertising is either ignorant or sinister. And like all crusades led by ignoramus or by rascals, it has met the opposition of every thinking American. Like law, like business, advertising is something which intelligent American people are determined to have.

Advertising prospers as it serves. Able, achieving men and women are both the producers and the users of the best advertising now. Despite all the handicaps imposed by its enemies, advertising is flowering in this country, not only as one of the chief supports of a free press, but as an indispensable part of the American system of free enterprise, and of American democracy.

# Washington and Your Business

## Muy Boloney Por Senores

EVEN yet there are areas of calm on Capitol Hill. Their occupants regard with considerable alarm the prospect of "hemisphere defense." They do not know what it means. If it involves setting up an anchor watch at the mouth of every South American harbor they do not like it. The One Big American Federation frankly scares them. They point out that at least one half of our S. A. neighbors do not like us any too well. They admit that there are large and prosperous German and Italian colonies in South America, but observe that their national hosts seem to like them as taxpayers and business-getters, and, anyhow, what can we do about it?

## Multiply Him by Millions

THESE calmer members recall that one rather under-sized bandit named Sandino kept the Marines chasing through the Nicaraguan swamps with no effect except to fatten the local ticks. They think that the less the United States has to say about an extension of the Monroe Doctrine to suit a changing world the more easily we will get along south of the Rio Grande.

## Monroe Still Covers Canal

THE Hill is a unit, however, in pledging defense to the Canal and in support of the national defense program generally. It is assumed, roughly, that this will run to \$2,250,000,000 a year and that we have definitely entered on that armed state of life in which European nations have always dwelt. This involves universal service for the young, anti-aircraft units in the village firehouses, and a hearty doubt of our neighbors. Congressional apprehensions have been shifted from Nippon to the Caribbean. The suggestion is that, if we must, we can get along with Japan.

## Nothing But War Being Talked Of

NOTHING but war is being talked on The Hill. This department does not believe that one congressman in a carload fears we are in any danger of invasion, no matter who wins in Europe. The Hill wants plenty of defense because of uneasiness about what might happen on this side of the Atlantic and by whom and to whom and why. There is also grave and increasing worry as to the extent we may be drawn into the European conflict, or thrust ourselves in, which is practically the same thing. The appeals of elderly gentlemen, dear old ladies, and members of college faculties are unquestionably adding gasoline to the flames. They are our most belligerent classes.

## Business and the Guard

ASSURANCES have been given that the National Guard will not be sent outside the borders of the U. S. These are accepted with skepticism. As they are placed on file a bevy of warships is being sent to South American waters to quiet "unrest." Person suffering from the unrest is not identified. Business is unable to understand why there should be any talk of an operation that seems needless. The withdrawal of 225,000 men from the supply of labor would have unpleasant repercussions in some industries, not to

speak of the families which might find it difficult to get along on their guardsmen's pay. This talk, however, has centered alarmed attention on the La Follette bill.

## Hog-Tying Employers

THIS has been titled the "Civil Liberties" bill. It has a Senate committee all to itself. It purports to protect labor from the operations of labor spies, but in fact the employer would be in danger of attack by the Government if he so much as listened to a friendly workman who wished to warn him that saboteurs and fifth columnists were at work in his plant.

It is not alleged that this was Mr. La Follette's intention. The presumption is that it was innocently conceived and was born a monster. The fact is, as any one may see who reads the printed copy of the bill, that, under its provisions, agents of foreign governments might work under full protection in our factories. It has passed the Senate.

## Best Write for a Copy

THERE are indications that the La Follette bill may pass the House. That is a remarkable body. It is at times moved by the loftiest motives and sometimes gets down on its knees and shoots craps in the garage alley. Interested employees might examine the bill and then write their congressmen.

## How to Skuldug in Congress

THE House passed with few changes the Smith amendments to the N.L.R.B. act. Two congressmen out of three will say that the Board should be cleared out and the place whitewashed. The betting is still that the Senate will stop the amendments. The Administration has ordered that the law shall not be changed.

## This Is One Way to Do It

IT is not true that the S.E.C. has weakened in the "death sentence" prosecutions. It has only bent. Counsel for the U.G.I. asked the S.E.C. to prescribe the precise manner in which it could disintegrate to comply with the law.

"Nix," said the S.E.C., "that would be a tactical error. All the other utilities would come whooping in with demands that we tell them also where they are wrong."

But the S.E.C. staff was permitted to tell the U.G.I. counsel what could be done. Presumably the S.E.C. will be guided by the advice of its staff. Everybody happy.

## Fish Should Always Be Fish

WHEN Earl Browder, Communist candidate for the presidency, asked the radio chains for time on the air, he got it.

"It is too bad," the chains wept publicly, "but our hands are tied."

Senator Vandenberg (R), Michigan, once tried to broadcast something the radio chains feared had hot politics in it. He got the time on the air he asked for, but by an unfortunate series of what-thises no one heard him. Which, it is said, is one of the reasons why a new F.C.C. law will be written next year. Another reason is that Chairman Fly of the F.C.C. only endeared himself



in a few quarters when he refused to permit the various television companies to get into the open market in competition. When Sarnoff of the R.C.A. said, "Industry thrives on obsolescence," he said out loud what the T.N.E.C. would not permit Alfred Sloan to say on the stand.

### Reporter's Eye View of N.D.B.

EVERY possible assurance has been given Messrs. Stettinius, Knudsen, and the other members of the National Defense Board that they shall have all the authority on dealing with problems of production they can ask for. A man who speaks with as absolute knowledge of the inner workings as any one man can have at any one time says:

We must have 'em. We couldn't get along without 'em. There is not an officeholder in Washington who would not step on his own face in attempting to deal with the problems these men take as commonplaces of the day.

### There's One Bottleneck

THE fact seems to be that the assurances are not as comprehensive as they appear to be. The members of the N.D.B. must obtain the Presidential okay on their plans and orders before proceeding to action. So far as known this okay has not been refused, but the plans are sweeping, sometimes intricate, and require considerable explanation on occasion.

If Secretaries Morgenthau and Hopkins—more especially Hopkins, who has been set up as a fault-finder—must also absorb the explanation delay inevitably results. Fears have been expressed that we are heading toward a revival of the 1917 whirligig.

### Why Baruch Was Barred

EVERY one assumed that Bernard M. Baruch would be asked to take a position on the National Defense Board, in view of his services during the First World War. The story goes that Harry Hopkins suggested:

Baruch can make Gen. Hugh Johnson shut up, if any one can.

Baruch wouldn't play. So the story goes.

### Plane Market Lies Ahead

THE C.A.A. says there will be a real market ahead for small planes. "One of these days," said a spokesman, "we may see almost as many \$2,000 planes in America as we now see \$3,000 cars.

"This year about 45,000 youngsters will be 'processed.' About 4,500 will be certificated as pilots.

"After they take the Army's six months' course many of them will be turned out as combat flyers. Perhaps 60,000 men will get some form of instruction in the course of the year. That means a certain market for planes. Interest is manifested by the fact that, although they knew in advance that only 750 could win places on the college training program, there were 7,800 applicants." Most of the air fields will be located in the South. Not so good for aspirants in the North.

### Sounding a Sour Note

A CORRESPONDENT notes that: "The special delivery department of the U. S. Post Office Department is in effect a sweatshop, both as to hours and wages paid."

He quotes some affecting figures to support his charge. A bill correcting these wrongs (HB8733) passed the House after an unanimously favorable report of the House Committee on Post Offices, but it was stifled in the Senate's similar committee. The Post Office, it appears, said that it could not afford to pay the messengers the

wages they asked. The special delivery bureau earned \$250,000 profit in the latest fiscal year.

### Hand-Painting the Testimony

THE Post Office has consistently maintained that it is making a profit, and so it is, if the figures it uses are dependable. This recalls the charge made by Emmett F. Connely against the T.N.E.C.'s dealing with witnesses:

The record was studiously made and closed when the T.N.E.C. was threatened with an answer it did not like.

In support he quoted a statement by Alfred P. Sloan of General Motors, which Mr. Sloan did not succeed in getting into the T.N.E.C. record:

Our producing plants are to an extent little appreciated obsolete as measured by today's technology.

If savings dared take the chance, noted Mr. Connely, it would rebuild these plants.

### Stepping Into Vast Mystery

OBSERVERS not attuned to the eternal harmonies do not think the silver purchase repealer will become law this year. The Treasury will continue to buy foreign and domestic silver at a level considerably above any possible market, much to the advantage of Mexico and distant countries generally. The Senate passed the repealer, but the House found a legal flaw in it and sent it back. That is probably the end for this session. The Treasury has enough silver on hand now to plate our entire naval strength, including the admirals.

### Good Cheer for Merchants

ADVANCE sheets of the census show that although 31 key cities increased their population at the rate of only six per cent in the past decade, as opposed to 20 per cent in the previous ten year period, they have more business units than they began it with. The explanation lies in the fact that contiguous territory in every case built up enormously.

### No Railroad Legislation

INDICATIONS at the time of writing are that the omnibus transportation bill and other railroad legislation will not go through at this session. Railroad unions are divided on the omnibus bill—16 for and five against—and the calendar is so full of defense measures that nothing may be done.

### Stopping the Wild Outcries

JUST to cure a misapprehension: "The machine tool industry," said J. E. Lovely, president of the National Association, "has caught up to the rate of new orders. We are sure that we can meet any challenge. But we must be shown a plan. Then we will act with determination and despatch."

For five years the Army and Navy told Congress of their shortages. Nothing was done about it. In order to scatter the fire it might be observed that, when an emergency finally did arrive, the Army and Navy seem to have had no definite machine tool plans.

### Sounds Like Real Thing

BEING given as a people to eloquence and grace notes it is a pleasure to observe that something sound, sensible and coherent seems to be doing in the South American direction. Director Young of the Bureau of Foreign and Domestic Commerce—eclipsed by politics under Secre-



He: *Miss Dale, you're a fast worker!*

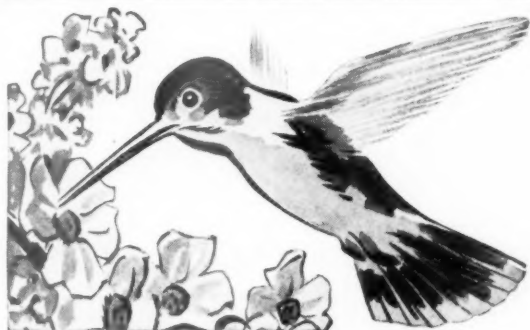
She: *Thanks! But it's just that new*

## MODEL M CUSHIONED-TOUCH COMPTOMETER

"Comptometer Economy" is a familiar (and pleasant) story to executives in almost every business and industrial field. It's a story that "boils down" to *more figure work handled in less time at lower cost*, through high speed, Controlled-Key accuracy, flexibility—and modern Comptometer methods.

And now, the handsome new Model M Cushioned-Touch Comptometer offers all the fundamental Comptometer advantages, together with many important *new* features and improvements which contribute to increased figure-work savings.

A demonstration of "Comptometer Economy," as it applies to your own figure-work problems, may be arranged by telephoning your local Comptometer office . . . or by writing direct to Felt & Tarrant Manufacturing Company, 1712 North Paulina Street, Chicago, Illinois.



**LIGHTER** key-stroke and remarkable new quietness of operation are among the host of improvements built into the new Model M Comptometer.

### NEW FEATURES OF THE MODEL M CUSHIONED-TOUCH COMPTOMETER

**For faster, easier operation:**

- Lighter key-stroke
- Flexible keyboard
- One-hand subtraction
- Improved decimal pointers

**For greater quiet:**

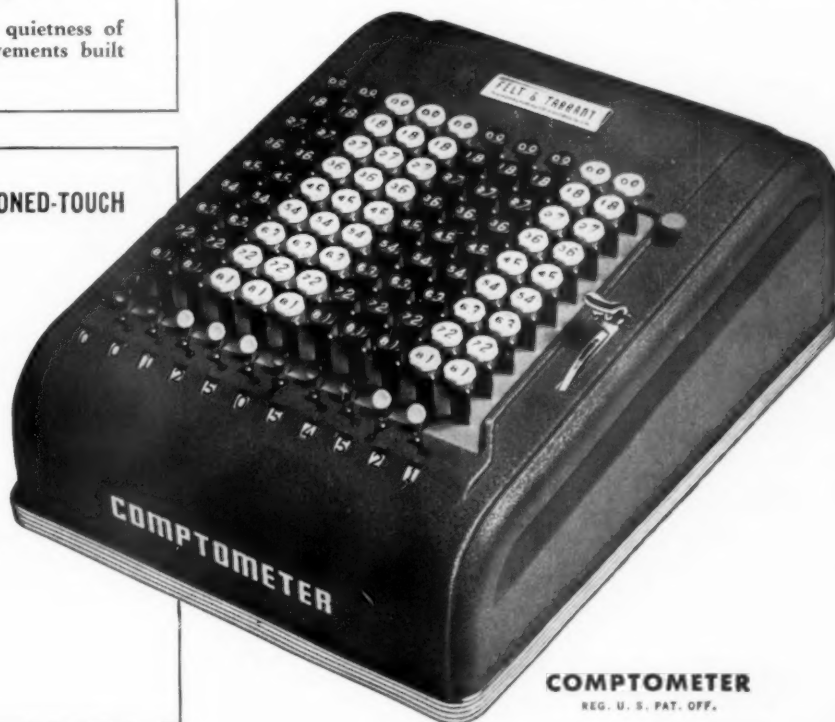
- Mechanism floated in rubber
- Scientific soundproofing

**For improved appearance:**

- Cancelling lever built inside case
- New color and modern, simplified lines to harmonize with modern office interiors

**For minimized eye-strain:**

- No-glare answer dials
- Larger, more legible answer numerals
- Restful grey-green color



**COMPTOMETER**  
REG. U. S. PAT. OFF.

tary Roper but gradually getting back into the light—has been engineering a real inquiry into the commercial possibilities to be discovered in S. A. This is hard-pan stuff and not to be confused with elocution and the plastic arts.

### Trade Currents to the South

THE basic idea is that the current of S. A. trade has always and naturally flowed toward Europe. We do not need S. A.'s raw materials and Europe does. It is not likely this current can be reversed when, if, and as the world goes sane again. But it may be that many small business opportunities may be found out of which profits may be found for both ends of the line. The Bureau reports good prospects.

### An Ill Wind Blows Good

ASSUMING that Congress grants the 500 more men for the F.B.I. the President recommended the prospects for peace and order in this country should be definitely improved. No one not in more or less close touch with the Bureau of Investigation can comprehend how immoderately its men have been overworked. The previous plan has been to hand the Bureau more jobs but sternly to refuse more men. When the hue and cry about spies, saboteurs and traitors has died down, J. Edgar Hoover should find his force increased by many badly needed men. It may not be known, by the way, that the F.B.I.'s quarterly reports on crime provide the only comprehensive view of our law-breaking activities.

### Not Too Hard on the Aliens

PRESENT indications are that the congressional plans for finger-printing and registering aliens will not be nearly as rigid as the rules which most European countries have been enforcing for years past, and which touring Americans have accepted as a matter of course. Rumor persists that Secretary Perkins of Labor, recently deprived of the Bureau of Immigration because of her persistent refusal to see which way the wind was blowing, will be eased out of her post by way of a special mission of some sort.

### Americanism in a Bull Market

ONE direct result of the popular support given the national defense program is that no one in Washington laughs nowadays at a man who says he is an American. The Dies committee on un-American activities is suddenly in White House favor. Mrs. Roosevelt is no longer outspoken in approval of the American Youth Congress—the members of which did a most effective job of kicking themselves in their own faces during the Washington conference—and there will be plenty of congressional support for the bills being drawn to forbid striking in plants handling government contracts. As 10,000 plants will engage directly or indirectly on such contracts when Assistant Secretary of War Johnson's industrial mobilization plan gets going, the field for industrial racketeers will be greatly shrunk. The C.C.C. has gained in favor. If semi-military training is decided on, steps will be taken to improve its social standing. The Workers Alliance is headed for plenty of trouble unless its leaders pipe down. The bunds and brotherhoods and shirted clans generally are in for hard sledding if they get too noisy. There was a period when it was considered "good" politics to ignore them. Their leaders were listened to.

The change in popular sentiment indicates that they might be hunted down with beagledogs if they leave too high a scent.

### Sumner Pike Well Liked

NO recent appointment has met so much praise in informed circles as that of Sumner Pike to replace George C. Mathews on the S.E.C. He is known and trusted by the financial world and is friendly with the New Deal. Both sides agree he is an independent thinker and not a yes-man.

### May Turn to Realism

SOME seasoned observers believe that the extraordinary expenditures compelled by today's necessities are forcing Congress to turn toward realism. There may be in the next Congress a determined movement toward giving authority to the Budget Bureau, putting a halter on the federal bureaus which have been incurring obligations without the definite consent of Congress, and working out a bookkeeping system which will show the people the country's true financial condition instead of persistently fooling them. Nothing is hoped for from the present Congress.

### Morgenthau and His Red Flag

SECRETARY of the Treasury Morgenthau gave the finance committee of the Senate a warning which passed almost unnoticed in the defense program hurly-burly. He refused flatly to permit any part of the \$2,000,000,000 stabilization fund to be used for current expenditures. He said:

The time may come when a Secretary of the Treasury might be unable to borrow money. Then we will need this fund.

Might be worth remembering.

### Why Pick on This Person?

A SUBSCRIBER in Michigan asks why the gold buried and guarded in Kentucky should not be used in paying for battleships and the other paraphernalia of war and if it cannot be so used, what is it good for? The person in this corner prefers to talk about the Einstein theory, of which he also knows nothing. So far as he can discover from talks with economists the financial system would fall in ruins if that gold were taken out of the tank now, and after the war it may not have any value at all, now that dentists have stopped using it. The Michigan subscriber may be further puzzled to learn that we are burying more gold in Kentucky every day.

### Bootleggers' Heyday Coming

HARD liquor men say with every sign of concern that if the war emergency taxes on their commodity is stepped up too far the bootleggers will take this country again. They are already doing a first rate trade and are shopping around for new stills. If the true statistics of today's moonshining could be revealed they would be appalling. That talk of a ten per cent cut in routine government expenditures, by the way, is regarded in informed quarters as nonsense to be fed taxpayers.

### Draft Plans Are All Ready

PLANS for drafting men for war, if, when and as they are needed, have been completed. "Necessary" workers will be held on their jobs. The draft will begin with the 18 year old boys.

*Herbert Corey*



# From the Conning Tower

Doings of Marketers: Revolution in Stockings . . .

What Is Grade A? . . . More Meat on the Table

**Nylon stockings** are here at last and they're going faster than hot cakes at a Boy Scout camp. First put on sale May 15, they brought a rush of buyers to the hosiery counters that some department store people described as a "madhouse."

The demand was such as to suggest the culmination of a big advertising campaign. Actually Nylon has had little formal advertising. Du Pont is doing no regular consumer advertising of Nylon. The licensed manufacturers are sticking largely to package inserts and booklets

a few days of their introduction, stocks of Nylon stockings were exhausted in many stores and some delay is anticipated before they can be restocked. If all the women in the country should want to switch to Nylon, nine-tenths of them would have to wait, and naturally the dealers have to live with those nine-tenths in the meantime.

This speculation as to consumption of course leaves out of account the increased span of wear that Nylon may yield. That remains to be tested by experience. Production of women's silk stockings in 1939 was approximately 50,000,000 pairs.

The sumptuousness of women's taste in leg wear is proverbial. Back in the good times of 1925, according to Walter B. Pitkin, middle class and lower middle class women and girls in the cities spent an average of \$75 a year for hosiery. That was nearly as much as the *per capita* allowance for medical care and health in families with \$5,000 incomes! Only recently the U. S. Labor Department estimated that the average woman spends more for hosiery than for dresses. It is the second largest item on her annual clothes budget, only slightly less than shoes.

**Grade labelling agitation** met an embarrassing setback at the spring meeting of the American Marketing Association in New York. Twenty New York housewives, all members of the United Parents Association, were invited to a luncheon at which they were each asked to eat two slices of canned pineapple for dessert and express their preference. Sixteen of the 19



for dealer distribution. Retailers made brief announcements of the opening sale.

Two things have sold Nylon to Mrs. America. One is the widespread publicity from the du Pont laboratories which has had all the suspense value of a magazine serial thriller. The other is the fact that it is made to satisfy a universal feminine need. Women's passion for style demands sheer hose. Their sense of thrift calls for durability. Heretofore, as was to be expected, style had all the better of the conflict. Stockings that are sheer and will not run at small provocation have even more appeal to women than a good five-cent cigar ever had for men.

The National Retail Dry Goods Association felt that consumer expectations of Nylon were too high and that retailers would be the sufferers. At its suggestion many member stores printed counter slips warning customers that, if they are snagged, Nylon stockings will run just as any other knitted stocking will. They made suggestions for careful use and for safe laundering. Some stores published this advice in their newspaper copy. Critics of advertising for its "extravagant claims" please note. Here was a sensationally successful piece of promotion for a new product in which most of the consumer advertising was devoted to telling buyers not to expect too much.

The N.R.D.G.A. also was mindful of the fact that silk and rayon must continue to supply a large part of the hosiery market—estimated at 90 per cent during the next 12 months—because the Nylon makers are physically limited in capacity. Within



voting picked the Grade B product over Grade A. Asked how much extra they would be willing to pay for the preferred variety the 16 named amounts up to five cents a can. But Grade B sells for less than Grade A.

The case seems to indicate that there are no definite commonly accepted criteria of what constitutes a superior canned pineapple.

Grade labelling skeptics say the same is true of many products.

**That species of crank** who receives business reply cards and envelopes with mail advertising and uses them to carry messages "blessing out" the advertiser or for sending order blanks filled in with fictitious names is one of the mail advertiser's most annoying aversions. Some of these nuisances are addicted to using the reply envelope for mailing their own advertising or propaganda of various sorts.

To all such the Postoffice Department directs this warning, which may be printed by advertisers on their business reply cards or envelopes:

**IMPORTANT NOTICE**—The use of this card (or envelope) for purposes other than the purpose for which it is sent is contrary to postal regulations and will be dealt with accordingly.

**The travelling salesman** who registers at the Palmer House in Chicago finds in his room a short questionnaire which he is requested to fill out and turn in at the desk. This information—salesman's name, company, description of merchandise handled, and length of stay contemplated—is sent by the hotel to buyers in all the leading Chicago stores. The listings are mailed once a week, so as to be in the hands of buyers on Monday mornings.

It's an idea that appeals to salesmen as an added service, especially to those who travel with samples.

**Meatless diets** have been worrying the livestock men, packers and meat dealers. Such abstinence is largely a fad, they say,



particularly among women devotees of the fashionably slim figure.

Now the packers propose to do something about it, even to spending \$2,000,000 a year on a cooperative advertising campaign. Plans are being worked out by the Institute of American Meat Packers. They contemplate the dual aim of marketing at profitable prices the periodic livestock surpluses and recovering for meat the dominant place it formerly occupied on American menus. This means selling Mrs. Consumer on the high vitamin content and nutritional value of meats.

While the method of allocating cost among members has not been announced, it is estimated that it will not exceed 1.8 cents per hundredweight of dressed carcass volume handled by companies participating in the campaign.

**"Unfair sales practices"** laws received a setback when the Maryland Court of Appeals ruled the Maryland act unconstitutional. It prohibited the sale of any article at less than cost plus six per cent. Since "cost" is often difficult, if not impossible, to define, this statute prescribed a formula for its computation.

—FRED DEARMOND

# The Map of the Nation's Business

By FRANK GREENE



WAR NEWS was the ruling factor in commercial and industrial trends during May. Foreign munitions orders and domestic inventory buying, reflecting the new defense program, pushed steel production to 77 per cent of capacity and created active non-ferrous metal markets. Tumbling security prices accompanied Allied setbacks in the Low Countries while wheat broke sharply in generally lower commodity markets.

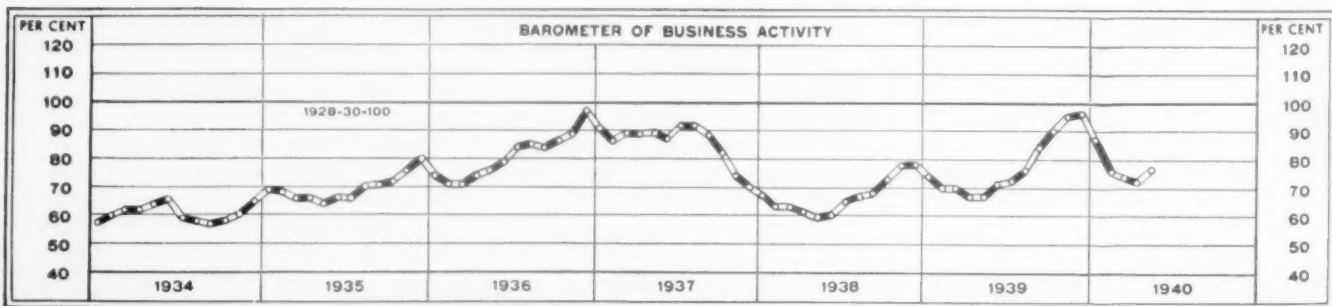
Automobile production remained well above last May and machine tool, aircraft, shipbuilding, and paper manufacturing continued at capacity. Electricity output increased sharply and coal and ore shipments raised carloadings to a peak for the year.

Construction awards were below the corresponding 1939 month, notwithstanding sharply increased industrial building. Wholesale trade in lighter lines, particularly textiles, was hesitant but retail business bettered last year's volume, despite unfavorable weather conditions. Bank debits rose seven per cent above a year ago.

No material change occurred in the Map, a reflection of the uncertainty surrounding future developments

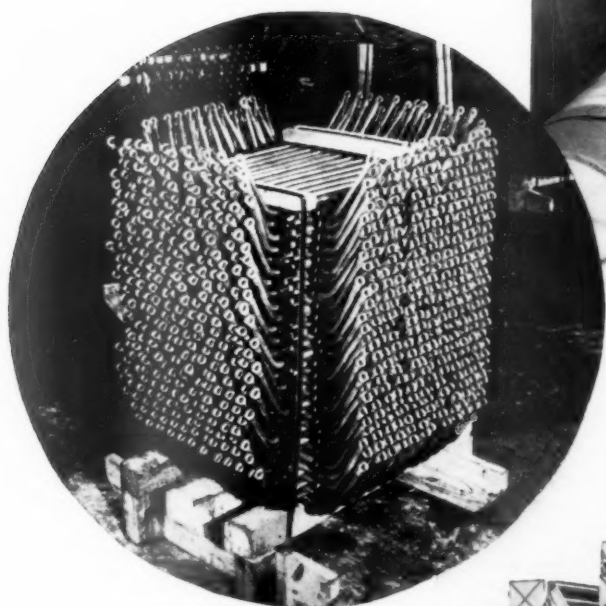


The map of last month



The chart line of industrial activity turned upward in May for the first time since last December, due mainly to sharply expanding steel mill operations.

## Small Parts of Big Jobs



Automotive stabilizers strapped for easy handling on skids

**B**UILDING a bridge or a skyscraper; floating million dollar loans; manufacturing several million automobiles in a year; insuring practically every building of any worth in the nation, are man-sized jobs. Business men associated with such tasks are justifiably proud of their achievements and the public generally applauds when attention is called to the fulfillment of these or similar "Big Jobs."

But before any big job can be finished, countless small jobs must be performed.

Tying bundles or even fastening freight and truck loadings is one of the prosaic jobs seldom connected with the romance and drama of big business. But the Acme Steel Company of Chicago, a 60-year-old organization that has never omitted a dividend and employs 2,300 workers, has made an art out of the business of securely bracing all manner of products against damage in shipment.

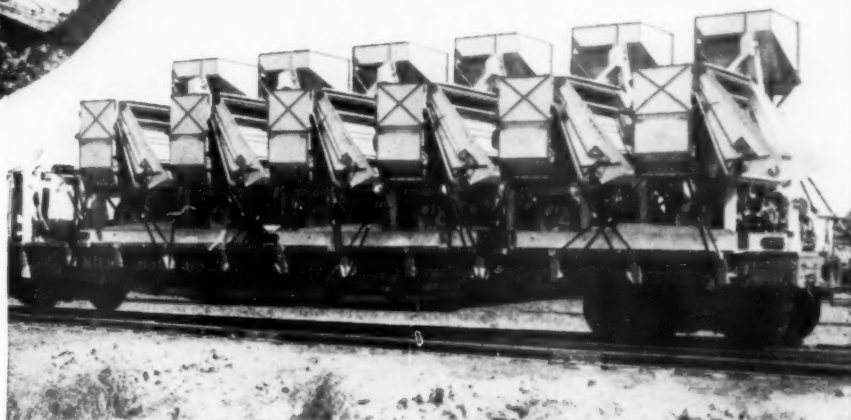
The illustrations on this page show only a few of the methods they have developed to help manufacturers transport their goods with minimum damage.

With their specialized equipment, almost anything from nickel candy bars to 90-foot steel girders can be depended upon to withstand severe jostling and arrive at destination without a wrapper torn or a girder slipped.

The Association of American Railroads Committee on prevention of loss and damage reported that the 84 per cent decrease in claim payments over the past 20 years was largely the result of joint cooperative effort of railroads and shippers in developing better methods of packing, loading and handling freight.



Steel straps securely brace rolls of paper in freight car. Note three rolls in doorway banded as one



Flat car loads of machinery like these harvesting combines are braced to withstand severe jostling on long rail journeys



Steel straps can be used for bracing difficult shipments on trucks as effectively as in railroad cars. Nature of product determines method of application





People who own their own homes have more to lose than to gain from any of the various "isms"

## Housing—Bulwark of Democracy

By THOMAS C. BOUSHALL

**F**OR A COST of \$4.82 a week, including principal and interest, an individual may now buy or build his own home and take as long as 15 years to liquidate the \$2,500 maximum allowed mortgage. This means much to America because it reduces from flood stage to normal flow the actual amount of required subsidized housing for those who are really poor.

Fifty-nine per cent of American families have incomes that do not exceed \$2,000 a year. Their ability to buy a new home is, therefore, limited and their usual alternative is to become tenants or buy outmoded and decrepit houses.

Such rented homes and depreciated property have naturally forced the poor and the lowest income groups into the least habitable shelters. Indignation over existing conditions is justifiable, but meeting such tragic conditions is difficult because the proponents of slum clearance seek to include the economically independent groups among those benefiting from their projects.

The romanticists seek, through federal subsidy for apartments and multiple family units, to clear the slums,

**A REALIST offers a program which not only offers adequate homes for those with low incomes but will strengthen the foundations of the country**

and reduce crime, poverty, and disease. The realists say that subsidized housing, not only for the admitted poor but also for free-born, independent, self-sustaining citizens, tends to undermine their moral stamina and to pauperize, and all but sovietize, the recipients.

Students of the problem recognize that the lowest income groups and the actual poor must have some aid if the general social stream is to be kept clear. But there is critical urgency that this group be kept to a minimum. Ways must be quickly found to meet the housing needs of those citizens who are able and have the desire to house themselves democratically and independently. In the absence of such opportunity, the romanticists have sought to lure the self-respecting, self-supporting urban masses into subsidized housing.

Fortunately, however, an alternative

plan is at hand. Through the cooperation of private enterprise and private capital with the federal Government, the low income groups are offered an opportunity to buy their own homes. The terms require such a low cash payment and provide such a convenient number of years for

liquidating the unpaid balance that all but the actual poor can now avail themselves of this opportunity. The individual of modest income thus becomes a freeholder instead of a tenant. The otherwise recipient of federal largess is converted into a defender of the private pocketbook.

The Federal Housing Administration guarantees to the lending institution ten per cent of the aggregate amount lent and pays 100 per cent of any individual loss that may be incurred so long as such losses do not exceed ten per cent of the total sum the bank or other agency has lent to its total borrowers under this plan.

A bank lending \$1,000,000 on 400 such homes costing \$2,500 each has a guarantee fund of \$100,000 against which any final loss incurred can be charged. The interest cost to the bor-

(Continued on page 89)

# MAN TO MAN in the MONEY MARKETS

By CLIFFORD B. REEVES

## The Danger of "Economic War"

COMPETENT financial observers take little stock in the theory that Germany, if it wins a quick victory over the Allies, will conduct immediate military operations against the United States. They admit the possibility of it and, like most others, they feel that we should be adequately prepared against that contingency. They are far more concerned, however, with the possibility that Germany, if victorious in Europe, may wage an "economic war" against the United States in an attempt to ruin this country's trade position.

It has been known for many months that Dr. Schacht, the Nazi's "financial wizard," has been engaged with a large staff in preparing a plan for the "economic unification of Europe," which will be put into effect if Germany defeats the Allies. The purpose of this plan is to show the rest of the world, which really means the United States, what sort of economic competition Europe can provide if it is organized and dominated by a single Government.

Under the Schacht plan, each country of Europe will be permitted to make only the things it can make best and most cheaply. There will be no international trade competition between various European countries as there has been in the past. The objective will be to unify and allot production so as to capture the markets of the rest of the world.

An attempt will be made to undersell other nations in all foreign markets. While other nations are concerned with wages-and-hours laws, Hitler, with dictatorial powers, will force labor to work for a pittance, particularly in conquered territories. This will enable him to reduce his production costs, offer lower prices, and thus capture markets now dominated by other countries.

Germany's trade agents are already active in South America, seeking to undermine the trade relations of the United States on that Continent. If

the stories now being heard are reliable, Nazi trade methods seem to be as ruthless as their military methods. They are reported to be adopting the old gang technique. "You do business with us—or else!" Or else they'll foment a revolution in your shaky little republic. Or else your old aunt who lives in Warsaw or Berlin will be clapped in a concentration camp. Or else property you own in German-dominated territory will be confiscated.

If the plan succeeds, the foreign trade of the United States will dwindle, and this country may be reduced to a self-contained, isolated economic unit. The loss of world trade would probably increase our unemployment greatly, and this in turn would lead to more and more social unrest. After five or ten years of this sort of vicious trade competition, the Nazis probably figure that we will be a "pushover" for anybody. In the first place, our economic strength may be greatly reduced. In the second place, a people suffering from a prolonged economic blight often feel that they have little to fight for.

From the viewpoint of peoples on this side of the Atlantic, it begins to look as though the German trade agent is more to be feared than the Nazi parachutist.

## A Handicap of \$45,000,000,000

THOSE who criticized the rapidly growing federal deficit in recent years were shushed with the statement that "this country can support a debt much larger than the \$45,000,000,000 limit now provided."

"That may be true," replied the critics, "but if, through the continuance of the present government-spending policy, you run your debt up close to the burdensome levels, what will you do if the country is then faced with a serious emergency like a war? Shouldn't you reserve a large part of your borrowing power against the possibility of such an emergency?"

You will be in no position to finance a preparedness program or a war if you are already near the point of credit exhaustion."

That is the unfortunate position in which this country now finds itself. Faced with what may be the greatest emergency in its history, America, instead of having a great "credit reserve" available, finds itself saddled at the outset with the greatest national debt in its history. The present debt is dangerously close to the \$45,000,000,000 mark which, when set as the maximum permissible only a few years ago, was thought to be higher than would ever prove necessary. So the country faces the necessity of increasing its legal debt limit before the national defense program even begins.

How much this defense program will cost, no one can tell. The fact that it cost \$7,000,000,000 in the past seven years for inadequate defense may give some inkling as to the cost of an adequate program.

And the cost of the defense program is not the only problem. If war actually comes, billions of additional costs may be involved. Responsible officials in Washington have estimated that the conduct of "modern warfare" might cost the United States as much as \$15,000,000,000 a year.

Tax income can offset only a small proportion of this cost. The balance must be met by borrowing. It begins to look as though a profligate Government may finally be approaching the day of reckoning.

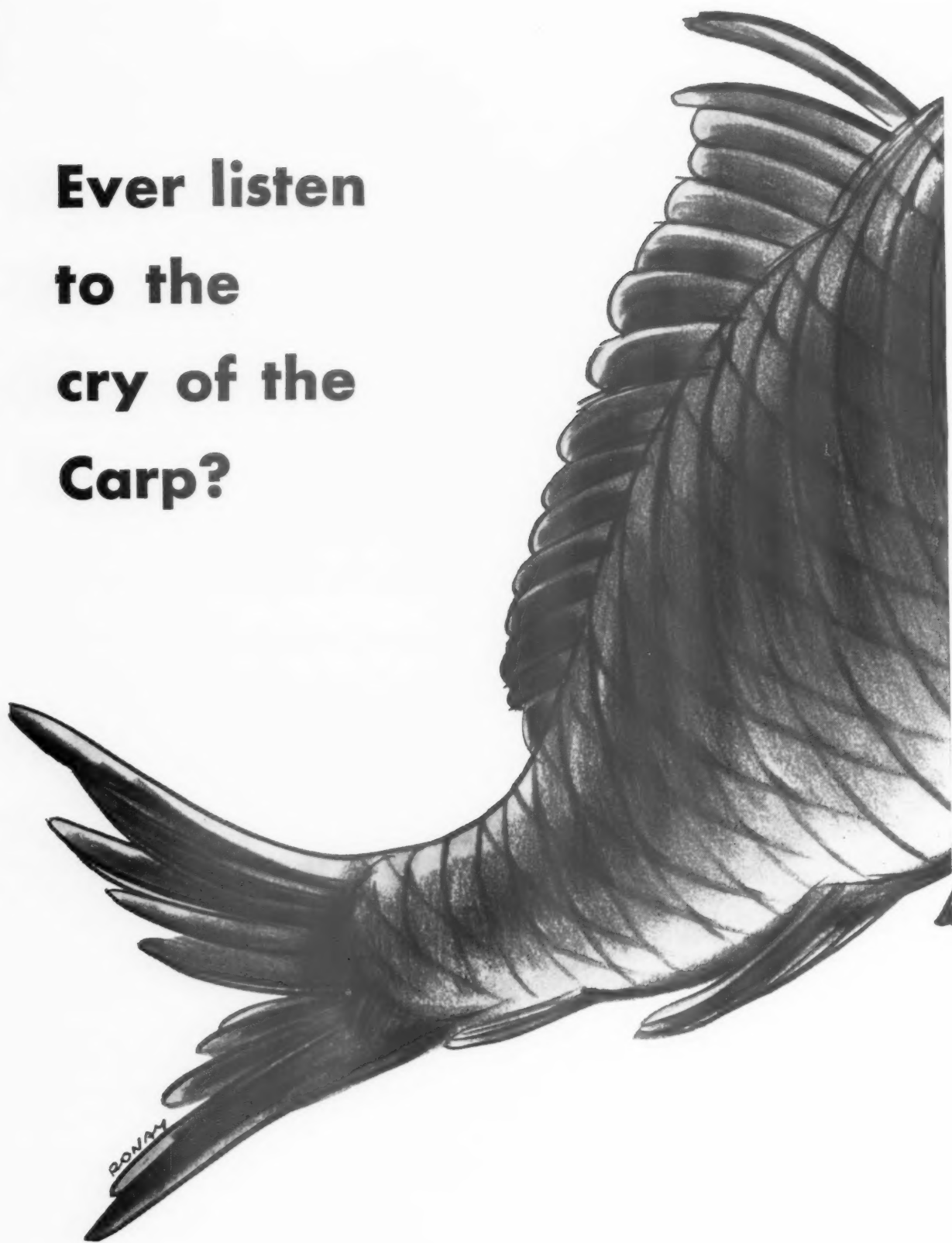
## Brookings Raps Securities Acts

ONE of the original purposes of the T.N.E.C. hearings was to determine why the flow of new capital into industry had dried up into a trickle. Certain of the government forces, however, apparently fearing that an investigation of that subject would place the blame squarely on the Government, side-tracked that topic and turned the hearings into a monopoly hunt. So one of the country's most pressing problems was deliberately ignored.

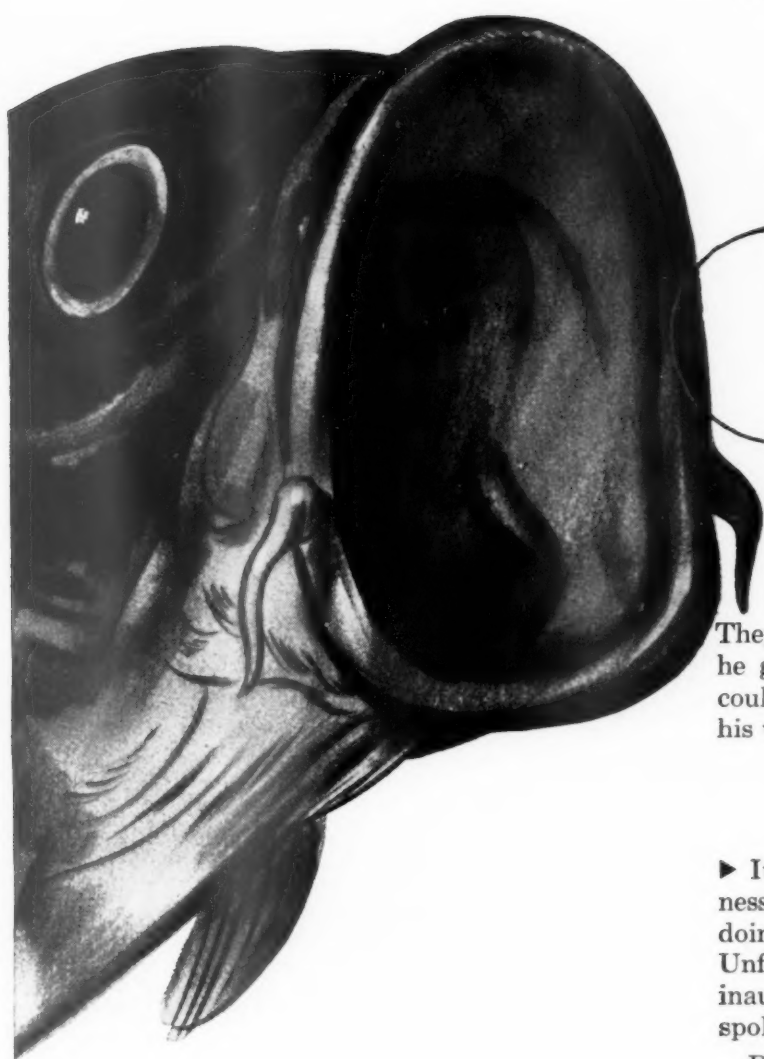
Meanwhile, investment bankers, whose daily work placed them in a position to see why the flow of capital was being impeded, were demanding changes in the Securities Act and other federal legislation. They requested a hearing before the T.N.E.C. and were repeatedly rebuffed. They submitted detailed suggestions to the S.E.C. on various occasions, but got nowhere. Finally, in desperation, they made their demands public, and were accused by the S.E.C. of "government baiting."

The contentions of the country's leading investment bankers have now

**Ever listen  
to the  
cry of the  
Carp?**







They say that when a carp yearns for his mate, he gives out with the most persuasive call you could ever imagine. Unfortunately, the sound of his voice is inaudible . . .

except . . . .

to another . . .

carp.

► It used to be that way with the voice of Business. When it came to persuading, Business was doing a wonderful job of selling itself—TO itself. Unfortunately the sound of its voice was often inaudible . . . except to the friendly ears of its own spokesmen.

Business today doesn't need to convince *itself* that its motives serve the public good. It is the public that needs convincing. The millions of everyday people whose belief in a company is often their strongest reason for accepting its products. And today, as never before, these millions are in a receptive mood to listen to what business has to say.

That is the job of public relations—to draw such a clear picture of your company that people will have as much confidence in your *policies* as they have in your *products*.

Make a list of the companies who have been most successful in creating that kind of loyalty. You'll find that *advertising* plays a major role in their program. And for a very good reason. They have found that public-relations advertising pays its own way, not only in good will, but in *sales*.

## THE CURTIS PUBLISHING COMPANY

THE SATURDAY EVENING POST

LADIES' HOME JOURNAL

COUNTRY GENTLEMAN

received expert and impartial corroboration. The Brookings Institution, one of the country's leading economic research organizations, has just published the findings of a two year study on the reasons for economic stagnation. Brookings says that recent legislation and policies are to blame for the failure of capital markets to function as they should, and makes a number of recommendations for changes in the Securities Act and the regulations of the S.E.C. issued under that Act, nearly all of which paralleled the recommendations of the investment bankers. Among other things, Brookings recommended a modification of registration procedure and a shortening of the present 20-day registration period.

It is difficult to see how either the S.E.C. or Congress can refuse to give fair consideration to the Brookings recommendations. So investment bankers, who have been chagrined at their own inability to obtain a fair hearing, now hope that the Securities Act will be critically examined by legislators for the first time.

#### **Give Industry a Chance**

AMERICAN industry faces a stupendous job in the execution of the national defense program that has been projected in recent weeks. There seems no doubt about industry's ability to do the job, provided it is not hamstrung at every turn by either Government or Labor.

One of the greatest needs of industry will be for new machinery and equipment. In many industries additional plant capacity will also be needed. This means that new capital must be obtained in many cases.

If existing tax laws or regulations on security issuance will make this difficult, as many people suspect, they should be repealed or relaxed. Nothing should be allowed to impede the free flow of capital into industry at a time like this.

Mr. Roosevelt's recent speech on national defense was a great disappointment to many realistic people, who felt that he was more concerned with the preservation of what he called "social gains" than he was with getting war materials off the end of the assembly line as rapidly as possible. If industrialists have to argue with labor, and with government agencies about minor inequities that may crop up in a period of rush production, the entire defense program is certain to bog down.

"Social gains" are all very fine, but we have only to look to Europe for many examples of what happens to nations that become so engrossed in social legislation that they neglect national defense. Their social legislation

did them little good when ruthless aggressors seized their countries. The greatest "social" benefit that any American workman can have is an adequate national defense. Until that job is done, everything else pales into insignificance.

#### **Investment Bankers Make Survey**

INVESTMENT bankers have talked for many years about the way in which their activities foster new construction and employment, and there is no question that such claims are true. But, except in isolated instances, they have never reduced those claims to specific cases that would show, for instance, just how many people were employed as a result of the offering of a particular issue of securities.

Now the Investment Bankers Association, as part of its recently announced public information program, has begun to collect such data from its individual members, and some surprising results may be expected. I. B. A. member firms throughout the country recently received questionnaires requesting detailed information on their activities and the resulting effect on business recovery and employment in the years from 1935 through 1939.

Investment firms are being asked to list the new issues that they helped to underwrite or distribute and to state in specific terms what new construction or new employment resulted from each one. The answers to these questions, the I. B. A. believes, will convince even the most skeptical members of the public that the business of investment banking performs a highly important and indispensable function in the country's economic life.

#### **Exchange Seats at a New Low**

ALTHOUGH the volume of trading on the New York Stock Exchange in May, which totalled nearly 39,000,000 shares, was the largest for any month in the past eight, and the greatest for any May since 1933, the price of exchange seats broke to a new low of \$42,000. This represented the lowest price at which a seat has sold in the past 25 years.

In spite of the substantial increase in stock commissions in May, brokers generally did not feel that the outlook for their business was any better. One reason is that, because of the declining market, they were losing customers' accounts. And many other customers found their investment funds seriously reduced by market losses.

In May, brokers' loans, as reported by Federal Reserve member banks in New York City, declined to \$350,000,-

000, the smallest total since March, 1933. This reduction in brokers' loans accounts for a substantial decline in the income of brokerage houses, as an important part of their revenue comes from interest charged on loans to their customers. With such loans down almost to an all-time low, brokers not only lose interest revenue, but are largely dependent upon cash transactions for their commission business. And cash buyers are usually not as frequent traders as margin buyers.

#### **Delisting to Get a Broader Market**

FOR many years, investors have regarded the listing of a stock on the New York Stock Exchange as virtual assurance that it would enjoy a broad and active market. Underwriters have felt that listing was an important sales advantage in the distribution of an issue.

But overregulation of the stock exchanges has gradually reduced the liquidity of listed markets, and now it seems that the shoe may soon be on the other foot, with over-the-counter markets offering more advantages than listed markets. The possibility of this was dramatically disclosed in recent weeks when the United Stockyards Company requested permission to withdraw its preferred stock issue from trading on the New York Stock Exchange. The purpose of its request, the company said, was to obtain, through over-the-counter dealers, "a broader, more active market" for the issue than had existed on the Stock Exchange.

This action served to focus attention on the wide differences in the amount of regulation to which listed issues are subjected, as compared with unlisted issues. If it results in some sensible revision of the present over-restrictive regulation of stock exchanges, the incident will have served a valuable purpose.

#### **War Kills the New Issues**

THE beginning of "war in earnest" in May brought the refunding bond market to a complete standstill. Offerings of more than \$100,000,000 that had already been registered were postponed and new registrations fell off to almost nothing in the next few weeks. General weakness in the bond market and the day-to-day effect of war news on market prices made bond offerings unfeasible.

Many investment bankers, however, believe that the new issue market will revive before many months have passed. When the war news gets either better or definitely worse, they state, markets will stabilize at new levels, and offerings will again be possible.

## Century-Old Firms Honored

BALTIMORE'S first centennial party for city's 62 firms continuously in business for 100 years or more was occasion for hefty birthday cake aglow with five score candles, for felicitation by 600 guests of 59 men, three women representing present management, for recognition of commercial longevity with embossed scrolls, for eloquent praise of resourceful leadership by H. W. Prentis, N.A.M. head and National Chamber director. Sponsored by Association of Commerce, celebration will be repeated when other houses attain century mark. Firms honored:

Name	Founded
The A. S. Abell Company,	
The Sun	1837
American Smelting and Refining Company, Baltimore Division	1814
The Anderson and Ireland Co.	1805
The Baltimore American	1773
Baltimore Brick Company	1827
Baltimore Equitable Society	1794
The Baltimore and Ohio Railroad Company	1827
The Baltimore and Port Deposit Railroad Company	1832
Baltimore Steam Packet Company, Old Bay Line	1840
Baltimore Wire Works	1793
William Beehler, Inc.	1828
Alex. Brown & Sons	1800
Burns and Russell Company	1790
Canton Company of Baltimore	1828
Consolidated Gas Electric Light and Power Company of Baltimore	1816
Jas. Corner & Sons	1828
W. J. Dickey & Sons, Inc.	1838
Ditch, Bowers & Taylor, Inc.	1836
John A. Dobson & Co.	1830
John Duer & Sons, Inc.	1839
H. R. Eisenbrandt Sons, Inc.	1811
Samuel Feast & Sons	1832
First National Bank	1806
Robert Garrett & Sons	1819
Martin Gillet & Co., Inc.	1811
C. H. Hildebrandt & Son	1838
A. Hoen & Co. Inc.	1835
Wm. E. Hooper & Sons Co.	1805
Henry W. Jenkins & Sons Co.	1799
John C. C. Justis	1830
The Kimball-Tyler Company	1834
Samuel Kirk & Son, Inc.	1815
The Koppers Company, Bartlett Hayward Division	1832
The J. Arthur Limerick Company	1834
Loane Bros.	1840
Lord-Mott Company, Inc.	1836
Lucas Bros., Inc.	1798
The John D. Lucas Printing Co.	1835
Lycett, Inc.	1835
McDowell & Co., Inc.	1835
Men's Hats, Inc., of Baltimore, Brigham-Hopkins Company	1824
Mount Vernon-Woodberry Mills	1839
John Murphy Company	1835
Muth Brothers & Co.	1837
Mutual Chemical Company of America	1816
The National Marine Bank of Baltimore	1810
The Pennsylvania Railroad Company, The Northern Central Railway Company	1828
Price & Heald	1837
Revere Copper and Brass, Inc., Baltimore Division	1814
Henry Rieman & Sons	1812
Wm. C. Robinson & Son Co.	1832
The Savings Bank of Baltimore	1818
A. D. Sessions & Co.	1840
Sexton Stove Manufacturing Corp.	1839
Geo. J. Storck & Son	1840
Terminal Shipping Company	1800
Union Trust Company of Maryland	1795
C. B. Watkins & Co.	1834
The Western National Bank	1835
The Wm. H. Whiting Company	1811
Woods & Son, Inc.	1831
Woodward, Baldwin & Co.	1828
Alex. Yearley & Son, Inc.	1808



TONS more payload per year—several times the strength of ordinary Trailers—and much lower upkeep expense! That's the "extra earnings" story of the new Fruehauf Stainless Steel Trailer. That's the reason truck operators are buying them in fleets.

These new weight-saving Fruehauf Trailers are the result of a unique combination of stainless steel material, frame-integral construction, special body design and the patented "Shot-weld" process of fabrication. You haul more every trip, your Trailer is far stronger, and its non-corrosive surface never requires painting. You earn more from every standpoint.

### BULK HAULERS, TOO

To bulk haulers, whose loads may be light, the new Fruehauf Stainless Steel

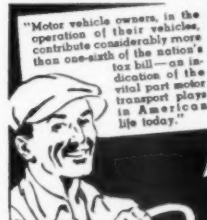
Trailer also brings big savings. With this unit you get considerably more loading space without increasing the weight of your Trailer one single pound.

### LOW COST

On any sound basis of comparison—per ton hauled, per mile traveled, per week, per year or over its entire long life—this new Fruehauf Trailer is the lowest-cost Trailer ever offered. Your nearest Fruehauf Branch will gladly send an experienced Fruehauf transportation engineer with the bedrock figures.

**A COMPLETE LINE**—The Fruehauf line of modern Trailers includes, in addition to Stainless Steel units, such types as the lightweight Aerovan open and closed vans, refrigerator units, warehousemen's vans, pick-up and delivery units for city operation, tanks for gasoline, milk, etc., live stock units, carryalls, dump-body types, pole Trailers, Differential Dual Wheels.

**Oldest and Largest Manufacturers of Truck-Trailers • Sales and Service in Principal Cities**  
**FRUEHAUF TRAILER COMPANY • DETROIT**



# FRUEHAUF TRAILERS

"ENGINEERED TRANSPORTATION"



## Leaders in the March of Business



Norman Davis (left) with George L. Harrison

**A**FTER 25 years' service in the Federal Reserve system, George L. Harrison took up new duties as president of the New York Life Insurance Company on July 1. Starting his career as legal secretary to the late Justice Oliver Wendell Holmes in 1913, he became assistant general counsel of the Federal Reserve Board in 1914, governor of the New York Federal Reserve Bank in 1928 and president in 1936.

R. I. Ingalls, Chairman of The Ingalls Shipbuilding Corporation, now constructing four C-3 cargo vessels, the only 100 per cent all-welded large ships ever to be built in this country. Also laying keel for first of four transatlantic passenger liners for the U. S. Lines in their modern shipyard located at Pascagoula, Miss.

L. R. Hoff, vice president of Johns-Manville Corporation, in charge of sales, was recently honored on completion of his 40th year with the company. He started his career with H. W. Johns Co. in 1900 as a \$15 a week stenographer, became sales manager of the Johns-Manville Corp. in 1913 and was named vice president in 1926. The company's volume of sales has increased steadily under his leadership.

Walter S. Carpenter, new president of E. I. du Pont de Nemours & Co., is the second man since 1802 other than a du Pont, to head the company. He has served the company since his graduation from Cornell University in 1909 in the purchasing, development and finance departments and has been chairman of the finance committee since 1930.

Atherton W. Hobler, president of Benton & Bowles, entered the advertising field in the employ of the Gardner Agency in 1911. Last month he was elected chairman of the board of the American Association of Advertising Agencies. He joined his present company in 1932 after seven years with Erwin, Wasey Co. Long a specialist in food advertising, he now directs activities of an organization built around General Foods account. Among the first to recognize potentialities of radio advertising, he was instrumental in making a success of the Maxwell House Showboat program.



R. I. Ingalls (left) A. J. Grassick



ATLANTIC FOTO  
L. R. Hoff



PETER A. JULEY & SON  
Walter S. Carpenter



ACME  
A. W. Hobler

## A Long Road to Preparedness

(Continued from page 17)

Three-fourths of the money to be spent on the new national defense program will be spent with American industry, the generals said. As an outgrowth of the almost unguided expenditure of billions in 1917, the Army and industry reached an understanding. The War Industries Board of 1918 controlled the spending and, at the suggestion of Bernard M. Baruch who headed it, a plan was worked out for the next war.

The primary thought was not to save money. Americans are always ready to spend money. The idea was to get for the Army and Navy the things they want when they want them. These things cannot be bought in the open market. That may seem incredible, considering the productive capacity of American industry. But it is a fact. If the thread of this narrative may be interrupted for a moment we will consider as an illustration the matter of pants. Pants for soldiers.

### Special manufacture is required

IT WOULD take nine months to buy the cloth and cut it and fit it and sew it into pants for the 1,000,000 men of the First Army. (It should be observed at this point that it would take us more than a year to get that first army together. The regular army is to be increased to 400,000 men and the increase will draw in every drillmaster now to be found in the regular ranks. Not until 120,000 rookies, more or less, have been made into trained soldiers can the work of conscripting, camping, doctoring and drilling the men for the first army begin. Meanwhile an effort will be made to make competent officers out of the raw material of young lawyers, graduates, and so on. Sixty thousand would be needed immediately.) To get back to pants. The cloth is not on the market. It must be specially woven. It must be specially dyed. Since men differ in shapes and sizes, each warehouse must have a stock large enough to fit all comers. A soldier in misfit pants is one of the unhappiest persons in the world, and if his folks come to see him—which Heaven forbid—and find him in pants that have everything but hoops in them they go home and talk scandalously about the Army. And they have votes and their friends have votes—

I take it that I have made my point about the impossibility of buying off the counter the things the Army needs.

The Army Industrial College was set up, after the painful experiences of 1917-18, and hand-picked officers of the Army and Navy made a careful study of the almost innumerable things the two services need in war and peace. No one had that information in 1917, which accounts for the fact that we sent hundreds of thousands of pairs of handcuffs and spurs to France and ran short on some more essential items. Then the Joint Board was created to deal with industry. The Board is headed by the

Assistant Secretaries of the War and Navy Departments, by the terms of the law. They have under them a sufficient number of the ace officers of the two services. Their business is to tell industry just what is wanted and find out just what industry can do. A brief illustration may be used:

"The weakest point in a tank," said the Army, "is the tread. They are horribly noisy and they are forever giving trouble."

"We will look into the matter," said industry.

Today the Army has, it believes, the best tank-treads in the world. This is cited as an evidence of the manner in which industry has cooperated, but it is also a fact that industry has not cooperated as fully as could be desired. This was not due to any reluctance or lukewarmness or hostility by industry but to the fact that industry was so busy in its own shops trying to make ends meet. The Army was not able to promise any business and it could only say that the day might come when it could.

The larger corporations could and did give unsparingly of time and money. They sent their experts to the Army's proving grounds and worked on the Army's problems in their own laboratories, all at their own cost, and in full realization of the fact that they might

never make a nickel out of it. The Army can only let contracts by competitive bidding and time after time the low bidder has spent little in experimentation by comparison with the losing contestant. It is understood that this particular bottleneck has been blasted open. Knudsen and Stettinius and the other practical-minded industrialists who have been named on the National Defense Board insisted that the vital work of preparation should not be held up by a system which has not even worked well in times of peace. They have been assured that they can get what they want when they want it, if they can find it. The assumption is that these assurances will be made good.

The Joint Board had been running at a low speed until Louis Johnson, among other things a one-time head of the American Legion, gave up a \$40,000 a year practice in corporation law and became the Assistant Secretary of War. The Board is not to be blamed. It had gone through that period of pacifism when almost no money at all was given to the Army and when undue activity by an Army officer sent the Dread Avenger on his trail. It was in this period that Gen. "Billy" Mitchell, head of the A. E. F. air force, tried to persuade the Army and Navy that bombs could be dropped from the air with considerable effect. He was court martialled and sus-



SIGNAL CORPS, U. S. ARMY

Army's new field range is reputed to be best in the world. But its manufacture requires widely diversified activity. In war time the utensils would be made by aluminum companies; the cabinet by office machinery, refrigerator, safe or stove manufacturers; the burner by gasoline or kerosene burner company



pendent without pay for five years and, when he died, the Army refused to bury him in Arlington.

Johnson knew these things. He also had burning within him memories of staff mismanagement in France. Even before he was demobilized he had written a letter to the War Department in which he reported on them and backed his statement with evidence. He wanted the chance to buck up the Army and as Assistant Secretary he got it.

Under his direction, the Joint Board got right down to business with industry. This was three or four years ago, when no one suspected that hell would flame again in Europe. The Board communicated with industry in general and with more than 20,000 organizations in particular. Officers were sent out to make personal examinations of industrial plants and to get acquainted with the chiefs of industry.

This was not always satisfying. Many of the plant chiefs had been so bedeviled by the stream of official questionnaires from Washington that the visiting officers were wished off on subordinates and by these subordinates on lower subordinates and so on down the line. But, in a general way, the plan succeeded. The officers drew up production schemes, in many instances including floor plans and transportation networks, for many factories. Of the 20,000, about 10,000 factories were tagged for the first production line.

### Small orders for practice

THESE factories received educational orders. The Army in many cases provided the machines they needed to manufacture a "critical" item. A critical item is something for military use which is not found on the open market. Soldiers' shoes are such an item. They are built on the Munson last, which is comfortable for the foot of the warrior but does not look like much of anything on the Board Walk. The machines remained the property of the Army, along with whatever jigs and gadgets were needed in the manufacture of the critical items. The theory was that if the Army needed these items in a hurry it could enter into a contract with one of the educated factories and save time. Time is unquestionably being saved. The Army now knows precisely what it wants and where to get it.

"Not less than six months time is being saved," said Assistant Secretary of War Johnson, "as compared with 1917."

In the manufacture of the new semi-automatic Garand rifle not less than a year's time is being saved. This may be the best and fastest semi-automatic in the world, as the Army believes, or it may not be, as other people believe. It is, at all events, the semi-automatic the Army wants.

The plan was to arm the bulk of the defense army of 1,000,000 men, if and when it is needed, with the 2,500,000 excellent Springfields and Enfields left over from the First World War. There are even some Kraggs from the Spanish War in the warehouses. These are as good single-shot rifles as any army has, and

are in good military condition. But the great needs of the Allied forces for rifles, as a result of the British-French-Belgian defeat in Flanders, has put a kink in this plan. An unknown number of these rifles will be sold to the Allies and must be replaced by our manufacturing. The government arsenals can turn out an unspecified quantity in an unspecified time. If we do not go to war that will be all right. If we should be compelled to step up our rifle production it would take at least 18 months to tool and equip the factories engaged in rifle production and train the workmen. That is regarded as the minimum time. The Garands will be issued at the rate of one rifle to three men in the organizations using them. Between the Springfield Arsenal and the Winchester Arms Company, the Army will be provided with 240,000 of them. The arsenal cost is \$116 each and \$18 more for the accessories. The Winchester Arms Company had been given an educational order. The machines had been greased up and covered when everything broke loose in Europe. The Army asked for bids on Garand rifles:

"Let us use the government's machines," said the Winchester Company, "and we will save you \$1,000,000 and a year's time."

So they used the machines, of course. But the unpleasant fact to which this article has been leading up is that, even with the full capacity of the Springfield Arsenal and the Winchester Arms Company, the Army will not get its 240,000 Garands before June, 1942. That in itself would not be so bad, but it is an illustration of the condition that exists throughout the Army. It had been permitted to reach a very low state indeed. It has been built up in the past few years to something more near efficiency. But it is not what it should be in *matériel* if we were actually to be threatened by war.

No matter how enthusiastically industry collaborates, or how much money the Government spends, the Initial Protective Force will not be ready to go to protecting for at least 15 months. This fact is perfectly well known to every one interested. It has been printed time and again. Every member of Congress who cares the least bit about military affairs has known it for years.

No one cared so long as it seemed that we were in no danger of being pulled into the fight. Now that Congress has suddenly discovered that the world condition is not what it looked like a year ago, that 15 months' time limit sounds threatening. As an antidote against hysteria, however, it should be said at this point that:

So far as the present writer has been able to discover, no officer of either the Army or Navy thinks that anything can possibly happen to us within that time limit.

This is not the place for a discussion of war aims and strategies and time-lags, but it is worth knowing that in the opinion of these professional men—assuming that the very worst happens that could happen on the other side of the sea—no enemy power would be able

to invade these shores inside the 15 month limit.

After that, if the national defense plan is carried out along the lines drawn by the Army and Navy, it would be a brash enemy indeed who would dare to invade us. Perhaps these officers are sticking their necks out too far. It is possible to conjure up a combination of nations, each with a navy and an air force, which might get somewhere if they attacked us. Pessimists speak of the tons of gold buried under Ft. Knox in Kentucky, and the acres of diamonds on Broadway, Park Avenue and say that international blackmailers could get rich from the first shakedown.

"Not," say the officers, "if we carry on with our national defense plan!"

### An Army can be raised

BUT for all the pretty things that have been said about the Army, and my own determination to make it clear that, for some years, the Army had been treated like the cook's stepchild, if she was not a very good cook, it must be understood that the Army will not be ready to go for at least 15 months. Maybe not for 18 months. In some particulars, and they are important particulars, not for two full years. The Protective Mobilization Plan provides that the regular army shall move first into the breach, if we were attacked. Then the regulars would be supported by the National Guard. Then the I.P.F.—the Initial Protective Force—made up of reservists and partially trained volunteers would be given a hasty training and arming. At this point 1,000,000 men would be in the field. After this the regular processes of mobilization, training, uniforming, equipping and arming would go on, until at last an army of 4,000,000 men would be in the field, 24 months after the bugles first blew on M Day.

That 24 months could be shortened just in proportion as Industry collaborated and every one kept his head. If the heads are kept the orders will go out to Industry and the manufactured goods come back on time. No one, for example, fears a repetition of the horrible railroad mixup of 1917. The railroads were never in better condition. They have been promised that the politicians will let them alone and that they will be permitted to run their own affairs. They think they can detour around the bottlenecks. There are 4,000,000 trucks to collaborate on the hauling job.

But, if the heads previously alluded to are not kept, only a crystal gazer can even guess at what might take place. Here is an instance:

"The Government wishes you to move your airplane factory away from its vulnerable position on the coast," said a government head.

"I—will—do—no—such—thing" said the plane manufacturer. "I could not move my factory in time to get into this war, if there is a war. My employees all live where the factory is now located and they would not move. I would upset my whole setup if I moved. I will not do it."

That was the first and most alarming suggestion that government enthusiasts



are planning to tell Industry how to operate. One suggestion, favored for a time at least—it may still be favored—was to reduce the number of engine models and plane models and standardize almost everything and so double and redouble the plane production. One inevitable result, of course, would be to stagnate thinking in the plane factories. Sometimes a combat plane is rated as obsolete before it leaves the assembly lines. Some one else has invented a plane that is faster and handier and the brand-new but obsolete plane would be only a target. In 1917—one's thoughts keep turning back to the days of 1917, and high-powered, no-program government thinking—one recalls that we standardized to a fare-you-well, and only one so-called combat plane ever got to France.

No one doubts that the Army's P 40 is the fastest combat plane on earth today. But if the P 40 were to be turned out at the rate of 1,000 a day, and an enemy came in with an X 90 that could fly twice as fast and maneuver twice as easily the P 40's would be just so many clay pigeons. The Allies and the Germans have been continually changing their combat models during the present war. It is admitted that the Germans are handicapped by the fact that in their effort to turn out planes in quantity they have been unable to keep abreast in the quality race.

### Program is needed

WHAT Industry, in close harmony with the Army, has been pleading for is a program. The Army knows what it must have and industry will provide the items if it is permitted. The airplane makers, 100 of them, met in Washington and put that card on the table. So did the toolmakers. There is talk of a bottleneck in machine toolmaking, but the Government has priority for its orders. If it only tells the machine toolmakers what it wants, when and where, the toolmakers say they will deliver the goods. There is a shortage of expert mechanics, as every one knows. The Navy has been trying to speed up its shipbuilding program and now that money and orders are in sight it may be able to do so. But not long ago its agents met with head shakes from the men who were top-notch shipbuilders not many years ago.

"What happened to us?" they asked sarcastically. "The war came to an end and so did shipbuilding and we went out the window. Now we have other jobs and a lot of us have moved away from the shipyards and we do not care to go back and go through it all over again."

But that can be cured, because there is a prospect of steady shipbuilding orders ahead. For all that our Navy is good, it can be made better. Secretary of the Navy Edison, who is an industrialist by blood and training, said that the success of the airplanes means that some of the battleships which have not yet slid down the ways would be built on different plans, if we had the time.

Some of the Admirals of the Fleet, who are incredibly dynamic and persuasive persons, turned their fire on Mr. Edison and he somewhat abated his position. Yet it is fairly certain that the

## What the Army Wants

### Antiaircraft

Item	On hand	Completion figure
3-inch guns	448	500
90-mm. (approximately 3 3/5 inches) guns	none	317
37-mm. (approximately 1 1/2 in.) guns, antiaircraft	15	1,423
.50-caliber machine guns	1,014	1,682
Directors	168	273
Height finders	142	276
Sound locators	194	801

### Small Arms

Semiautomatic rifles (standard infantry equipment)	38,000	240,559
37-mm. antitank guns	228	1,388
60-mm. mortars	3	3,756
81-mm. mortars	183	853
.50-caliber machine guns (pack)	83	962

### Field Artillery Materiel

75-mm. guns modernized (light artillery)	141	1,432
75-mm. howitzer (field and pack)	90	319
105-mm. howitzer	none	120
155-mm. guns, long range (heavy artillery)	4	96
8-inch howitzer	none	48

### Combat Vehicles

Scout cars	485	1,346
Combat cars	114	208
Tanks, light M2A4	10	734
Tanks, medium M2	18	194

### Tractors and Special Ordnance Vehicles

Tractors, light	93	120
Tractors, medium	261	550
Tractors, heavy	65	777
Trucks, small arms repair	79	146
Trucks, instrument repair	—	53

### Railway Artillery

8-inch railway gun and carriage	none	24
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### Ammunition

Ammunition bomb, 500-pound	11,928	34,924
Ammunition bomb, 1,000-pound	4,336	14,511
Caliber .30 armor piercing	17,268,000	73,920,000
Caliber .50 ball	25,220,000	53,117,000
37-mm. tank and antitank	75,000	1,205,000
37-mm. antiaircraft guns	46,000	2,624,000
81-mm. mortars	43,000	373,000
75-m. howitzer, High Explosive	142,000	382,500
155-mm. howitzer, H. E.	925,000	1,131,000
8-inch howitzer, H. E.	none	29,000

### Engineer Corps

Ponton bridge, 10-ton	1	32
Ponton equipage, 23-ton	1	8
Water-purification unit	4	45
Searchlight, 60-inch mobile	285	1,028

### Chemical Warfare

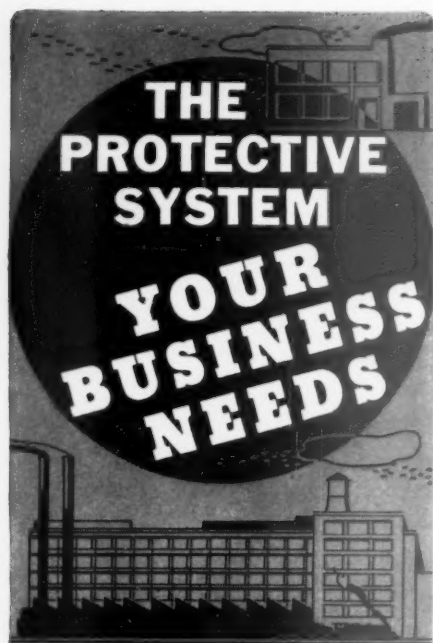
Gas masks	407,696	1,297,000
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### Quartermaster Corps

Wool uniform cloth, yards	none	5,500,000
Field ranges	5,000	667,000
Pack saddles, cargo	434	2,235

### Signal Corps

Radio set SCR 161	390	1,849
Radio set SCR 171	26	401
Radio set SCR 194	809	2,138
Wire (field wire) (miles)	16,800	65,491
Field telephones (miles)	15,800	47,602
Detector sets	none	182



No matter what the size of your business, whether it be a small store or a giant factory, it has this in common with all industry: if you employ a watchman, you need a supervisory system to check him. In the complete Detex line there is just the system exactly suited to your needs.



NEWMAN WATCHCLOCK  
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COMPLETE  
DETEX LINE

● During the hours your plant is closed, there is no more important equipment than a Detex Watchclock. It furnishes a complete record of the watchman as he makes his rounds—a record that is permanent, that cannot be altered. This record is your best safeguard against the dangers of fire and theft.

The Newman Watchclock was the first watchman's clock manufactured and sold in the United States. It has for years been the leader among key registering clocks and offers advantages found in no other watchclock of this type.

Light, compact, sturdy, the Newman Clock provides a simple, inexpensive supervisory system that is ideal for the small plant and yet may be expanded to suit plants of any size.

Why not inquire on how little it will cost to have a Detex Supervisory System exactly suited to your plant? Complete information will be sent on request.

#### DETEX WATCHCLOCK CORPORATION

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29 Beach St., Boston. 116 Marietta St., Atlanta. Rm. 800

NB-7-40



new ships to come will be built in recognition of the fact that a 5,000 pound bomb can be dive-dropped on a ship's deck and blow its turrets and basket masts and steering apparatus into fine particles. This will help the prospect for shipbuilding labor.

But there is not space to tell of all the things the Army—and, of course, the Navy—needs if the national defensive plan is to be made effective. A few hints may be given.

No hysteria, mind you. No responsible officer, so far as I have discovered, fears that, even if the worst the most imaginative can foresee were to become an actuality, we would not be able to protect ourselves until industry and the Army could get into joint production. The Navy, as every one knows, is the first line of defense. The admirals admit that if the totally unanticipated worst were to happen, and the Germans were to seize the French and British fleets and then team up with Italy and Japan they would be seriously unhappy if the combination declared war on us. They do not believe any of these things can happen. But they make no bones of the fact that they are alarmed about the Panama canal's comparative defenselessness. If such a four-fleet combination would be put together—and they call such an idea a rarebit dream if there ever were one—the Canal Zone could be seized. Let's get back to some of the needs of the Army, by way of showing how many things the Army must buy from industry if the defense plan is to be finished and polished off.

Nine months for soldier clothes, to begin with.

#### Can't cross rivers

SOME pontoons with which to cross rivers if the bridges have been blown up. The Germans used inflatable rubber boats in Belgium and Holland. Our Army's Engineer Corps has a few wooden pontoons, style of 1869. It has a few more with galvanized iron sides and bottoms, of a later than Civil War design. These are bulky, heavy, hard to manage, but they are all we have. In the ordinary processes of peacetime maneuvers, the National Guard should have 44,000 motor vehicles. If they had that many, the Guard could be maneuvered by corps and divisions. The National Guard is the second half of that Initial Protective Force of which the regular army provides the first half. To repeat; the Guard needs 44,000 vehicles.

It has 14,000 vehicles. Therefore it cannot maneuver in the modern style. In time of war, of course, the expenditure of motor vehicles goes on at an appalling rate. The Regular Army needs motor vehicles if it is to get around.

There was a time, not so long ago, when it looked as though the maneuvers of May would be a wash-out because the Army lacked trucks. The order for trucks had been given in October in obedience to the laws governing Army contracts, and which were drawn to provide the greatest amount of bookkeeping, auditing, re-checking and delay and to give union labor an unbeatable ace. Union labor at once played its ace and

there were strikes. In the end the Army got the trucks it had ordered in October, just in time to gas them up for the May maneuvers. Only the peacetime allowance, of course. Four months has been the shortest delivery time for trucks. At the least calculation the projected first army of 1,000,000 men would need 100,000 more trucks, if we were actually to face war on our own grounds. This is not an extravagant estimate, for in war a disabled truck is simply shoved into the ditch. There is no time in which to repair it. Eight to ten months is required for the heavy trucks for the hauling of big guns.

The Army needs 1,600 field ranges in which to cook hot food for its present force. It would need 16,000 for the first Army, the cooking schools, and the camps. If that force is enlarged it must have blankets and underwear and shoes and overcoats and ponchos. If it were really to get into a war, and the national defense plan contemplates that possibility, it should have 21 medical regiments, just for the I.P.F. No army ever had enough doctors. The Army does not know where to get enough doctors if it had the need. A few must be left at home with the folks and, with that reasonable precaution covered, the Army seems to be up against it. It now has three medical regiments.

It has the equipment for 16 regiments. But that is combat equipment only, and does not include hospitals and fluoroscopes and nurses. When the Army foresees nowadays that it will need ambulances it scurries about and borrows. It never has enough, even for the few peacetime cases. It is an unpleasant thing to say, but it is terribly short on surgical instruments and it does not know where to get them. We have some good surgical instrument makers in this country, of course, but not enough to fill the bill.

We are told we are to have 50,000 planes.

"The Army," said General Arnold, chief of the air staff, "now has 2,700 planes in the regulars and the Guard. Offhand, a dozen of them could be modernized."

He did not mean that quite as he said it, because he has also said that some of our planes are the best in the world. But the Army has never had the money to put in armor to protect the crew. They lack the self-sealing gas tanks which have saved so many pilots' lives in the European war, and a first rate gun-carrying device has not yet been worked out. In Europe it has been demonstrated that .30 calibre machine gun bullets are not heavy enough to bring down the big planes. If the airplane industry puts on two or two and one-half shifts a day he thinks the potential plane producing capacity can be stepped up to 15,000 a year. In two years we might be turning out 30,000 planes a year, he thinks. Germany is now producing 36,000 annually.

Planes must have pilots. Chief of Staff George Marshall says we must "process" 75,000 young men to get the 7,500 we need immediately. A first rate combat pilot cannot be delivered in less than two years. It's a tough job. There is a tight bottleneck in the mechanical end.

Good airplane mechanics can be made out of good automobile mechanics, but it takes time. We are short of airplane mechanics by the thousands for army use alone. In modern war, the airplane and the artillery are the striking forces. We are almost—by comparison—without cannon.

We came back from France with 3,450 French 75's. They are grand little guns, but they must be modernized to adapt them to motor travel. Some hundreds of the old 75's are to be sent back to the Allies. No one can tell as yet just how many will be turned in this way. If the vacant places are to be filled the plans might be drawn, the factories tooled, the mechanics trained and production started in 18 months. That is regarded as the minimum time, and that would only be possible if Government made a plan, stated it, and then kept its hands off. Conditions have not yet become so serious that Government has done any of these things. Only 101 have been modernized, although provision has been made to bring 499 others up to date. We have 48 new 105 howitzers "now under procurement." That means they have been ordered. Marshall says the Army has plenty of machine guns, but only 218 anti-tank guns.

"We need 1,556."

### Big guns for tanks

THE DELIVERY of 526 more is promised for June, 1941. These are the light 37 millimeter guns. In the fighting in Europe they are regarded as too light to knock down a big tank. The three-inch guns are not too big for this purpose. The Germans are using the 105's. Of course, it is not thought possible that tanks can ever be landed on our shores. Our terrain is so entirely different from that of Europe—all conditions are so unlike those in the European fields of battle—that the Army has never taken much interest in tanks. There are 28 in the South being experimented with. None of them are big tanks. But the tank force is to be increased to 1,700 or more. At a guess they might be ready in 1943.

We have 309 anti-aircraft mobile guns and 71 on order for the Army. Sixty 90 millimeter guns are also on order, and the National Guard is being encouraged to transfer some of its regiments into the anti-air service. The theory is that we have not enough anti-air guns to protect a single city. All we have now could not keep an enemy raider away from New York. Therefore, the plan is to mount the new guns on wheels and hitch them to motors, so that, when the *alerte* is sounded, the mobile anti-air company can tear down the dark roads to the neighboring city under attack. It is a nice plan, seems to me. Even a funny plan. We have the best sound detector in the business, but even it only gives 15 minutes warning of an approaching plane. By the time the mobile anti-air guns could get on the main road it seems to me the attackers could be taking their shoes off and settling down to a good book.

In Ogden, Utah, is an ammunition dump planned to hold 1,000,000 shells for 75's and 105's. It is empty. The

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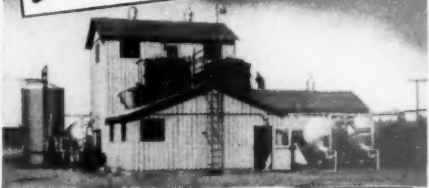
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Army's money has been running so short that it has been working over the powder left from the World War. At a recent Army Day celebration, only 60 per cent of the shells detonated, and some of them went off with an humiliating pop. I do not know what our shell shortage is for it is impossible to say what the expenditure might be. To say that we have not really explodable shells enough to feed our few guns for 24 hours would not be much of an exaggeration. It might be an understatement.

In case any one is interested in Coast Defense guns, which in these days of air fighting very few are, the Coast Defense is better on the west than on the east coast. Charleston's guns have not been fired for 20 years. It would take us two and one-half years to make a big gun, said Marshall, if we want a big gun. Some of the machinery in the arsenals is 40 years old. It takes from 14 to 18 months to modernize a piece of artillery. On the other hand, we are beating the world's time in bomb making. Industry got a shot at that:

"We need some fast bomb making machines," said the Army.

Two companies promptly produced just what was wanted. The Army is short of officers. It has so few engineers that when Chief of Staff Marshall made up a corps not long ago he had to drop it because the Air Force had to have the

engineers. Engineers are the boys who look over a battlefield in advance and tell just what the situation needs and how to get it. Sometimes they have to stay behind to clean it up. No army can ever have too many engineers.

One half of the officers of the regular Army are on detached service, and most of the companies have been getting along with a single officer in consequence. The R.O.T.C. is turning out about 3,300 a year of first rate quality, fully fit to take over the duties of command. But if we were unlucky enough to get into a war we would be short of officers by the tens of thousands. The Army knows it and grieves about it, but it has not been able to help itself. Maybe it can now.

This is not a secret.

The thing the Army most fears is a revival of the 1917 form. Because if there is no war—or even if there is a war—the people will be fed up with spending and caterwauling and will start right in to starve the Army again. The Army hopes that it will be permitted to present its program to industry and that industry will fill it. It further hopes that, instead of building a huge army now, it will be permitted to operate a competent, well equipped army in the years to come. In that way our national defense—says the Army—will be assured.

## Economic Laws for Thee—Not Me

(Continued from page 32)

Everyone knows there are more factory workers making those machines than ever built wagons and buggies.

Americans know—deep down, perhaps, but certainly—that profit for the retailer, wholesaler, manufacturer, or farmer is the difference between cost and selling price, and that profit is not governed alone by sales price.

Laboring men know the measure of real wages is not what they receive, but what wages will buy.

Americans know, when they think. But men who make their living from organization work have thought in terms of group selfishness so long that they have convinced themselves that their "people" must have some special privilege to exist. Worse, they've convinced their members that this is so.

We have, therefore, a Secretary of Agriculture, arguing that farmers have as much right to limit production—starve and freeze a third of the nation, other government official statisticians say—as the business man or laboring man to demand his price. He's probably quite correct, too, if two wrongs condone another.

Labor argues that it must organize to demand its share. Business groups support "fair trade" laws to force everyone to take his pound of flesh, whether he needs or wants it.

Instead of a nation of salesmen, trying to find ways to make the customer take and use a little more, we've turned into a

nation of misers trying to bury our bones where they can spoil without anyone else getting them.

Probably no one is any more to blame than is Johnny, who caught the measles. The disease was in the air. The trouble began when supply and demand got out of joint.

The N.R.A., whereby everyone attempted to run everyone else's business, from the cost of wages and raw materials to selling prices, exemplifies the trend of the attempted cure.

But give a special pleader enough rope and he will hang the falsity of artificial price fixing up to dry, all by himself. The speech of the advocate of the "fair trade" act is an example.

Under the act, a merchant is allowed to enter into a contract with a manufacturer to sell at a stipulated retail price. The contract is binding upon every other merchant to whom that manufacturer sells goods in that state. Forty-four states have such laws now.

"It guaranties to the merchant handling that particular item a fair margin of profit," said the speaker. "He can go above, but not below, that price. We hope to get some prices raised, but don't expect the law to solve all your problems."

Then the speaker related the story of two merchants in one small Oklahoma town. One was a modern merchant, with window displays changed regularly, windows and store clean, brightly lighted and pleasant. He was an advertiser. He

ran a store where people liked to trade.

Across the street was an old timer. Last year's window displays, and last year's flies, were left in the window all winter. The store interior was dark and gloomy, and the proprietor was a mean old cuss with whom most people wouldn't trade if they could avoid it.

Yet, the old timer called the merchant's association to complain that his modern competitor was not following "fair trade" prices, a complaint found to be untrue. But the old timer still believes someone is crooked because no man could do that much business without cutting prices.

The speaker simply was illustrating the need of good merchandising, he thought. But he didn't add that the modern merchant, selling three times as much of a specific article, could take half the profit and still make more than his competitor. He didn't suggest that consumers might have been encouraged to take five or ten times the number of articles, if profit had been reduced by half—but that's merchandising, too.

He didn't suggest that the modern merchant be compelled to let the flies stay in his windows and fail to change his displays so he would be reduced to "fair competition." But one is just as logical as the other.

Incidentally, considerable time was taken up in that retailers' meeting with speeches condemning minimum wages and maximum hours for clerks. They favored price control but not wage and hour control.

#### Business can't close shop

SIMILARLY, the Secretary of Agriculture insisted that farmers alone take prices someone else sets and cited "the Chrysler Motor Co. most certainly decides how many automobiles will be produced, sets its own prices, and doesn't pay any attention to a Board of Trade."

The Secretary perhaps knows about farm marketing. But any automobile salesman could tell him that the public sets the price on automobiles, and the number it will take. The manufacturer meets the price, and the demand, just as surely if not as rapidly, as a Board of Trade price.

The salesman also would let him know that General Motors, Ford, Nash, Graham, and others are still in the automobile business—exactly as the farmers' neighbors competing for the wheat, corn, or cotton market.

A production man could have told him Chrysler could no more stop making automobiles than a farmer can stop producing wheat, without reducing his income, throwing men out of work, and probably going broke. He must produce, and sell at the price he can get, to live.

Like all broad statements, it sounded good, but simply will not stand analysis.

The labor leader is just as sincere while carpenters all around him prove he is wrong. One young carpenter in that very city is an example. He was a cabinet maker, working at \$10, not \$8, a day. When building stopped, he began looking for work.

Jim Jones wanted a new garage but only had a definite amount of money.

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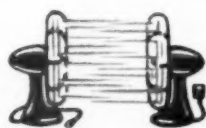
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## WHERE CAN YOUR EMPLOYEES GET LOANS FOR EMERGENCIES?

WHEN a worker has an unusual expense that he can't meet out of current income or savings, he should have a place to borrow. Some companies make emergency loans to their employees. In other plants workers have their own credit unions.

### Loans for workers

But most employees must borrow elsewhere. For this reason many states have passed laws making possible the establishment of legitimate small loan service. In these states the responsible worker can borrow cash for emergencies quickly, privately and at reasonable cost. He needs no bankable security, no guarantors or endorsers. For his protection the law regulates every step of the transaction.

Last year Household Finance made over 800,000 such loans to workers in all branches of industry. These loans helped the borrowers to clear up over-due bills, meet hospital and dental expenses, pay taxes, keep insurance in force—solve scores of family money problems.

Borrowers at Household repay their loans in convenient installments, which average less than 8% of their monthly income. Thus they can get out of debt without sacrifice of living standards. Below are some typical loan plans.

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	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

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The carpenter figured the lumber bill and the time required and saw it would mean only about \$6 a day for him. But he took the job. That carpenter kept busy all through the depression on similar jobs.

He built chicken houses, garages, barns, by the dozen, a few small homes, and other jobs. Someone sold the lumber which kept men at work in the woods. Someone sold him groceries, gasoline, and a used automobile.

### A way to keep at work

IN ALMOST every instance the person who paid the bill strained his resources a little and couldn't have built anything if this particular carpenter had refused to work for what he could earn at the moment.

But the carpenter obeyed the law of supply and demand and neither himself, nor his family—including several members who wouldn't work except at a price—ever has been on relief.

The men who paid this carpenter for work they couldn't afford under normal circumstances, must be the mysterious "They" who are determined to break down the wage scales. But this same young man again is making more than anyone else on the job, as he did before, since construction work has developed again in his town.

Someone asked the relief agency chief a few days after his speech in which he predicted there always would be public relief projects because of machines "how much the Triple-A had contributed to need for relief?" He couldn't answer.

The questioner happened to be an opponent of the agricultural act. But the relief chief would have been in the same fix if someone had asked him how much labor unions, trade associations, and organized consumers had contributed to unemployment. Certainly all have had a part!

There is no question, moral or legal, about anyone's right to organize. There is no question, either, about an aviator's right to fly at exactly 5,000 feet. But many would question his judgment if he flew at 5,000 when there is a headwind there and a good tailwind at either 3,500 or 6,000. The business man, laborer, or farmer who refuses to do business except at a specified level isn't considered dumb—but the aviator is.

Undoubtedly organizations have been formed in self-protection. And they still can do plenty of needed work.

No sensible man questions a worker's right to quit if he doesn't like his job, or of a labor union to strike if either wages or hours do not fit a fair estimate of what the law of supply and demand would provide if some other organization did not have a strangle hold.

But any sensible man questions wage scales which are out of line or strikes for "recognition," or anything else which only satisfies ego—of either the labor leader or employer—without having anything to do with making sure the law of supply and demand works.

Many observers see great possibilities in the farmers' newly acquired ability to work together, if it is turned to reduction of costs in production and market-

ing, and better methods of husbandry. Farmers, working together, can reduce prices, open new markets by selling to those now unable to buy, and still show a profit, when they realize that profit comes only from production and not from limiting it.

Only a fool would argue that modern machine mass production does not create problems. Perhaps the best analysis of what that problem really is, however, is that of Charles M. Thompson, dean of the School of Commerce at the University of Illinois. Dean Thompson points out that the three elements of production are Land, Labor, and Capital, and that the incomes from these are Rent, Wages, and Interest.

With installation of machinery, the income from production simply is shifted from Wages to Interest. Eventually, machines create more Wages because more men are needed to supply raw materials, repairs, and power, but every temporary shift from Wages to Interest causes trouble until a balance is restored.

However, since machines do produce more goods at lower cost, labor eventually benefits as much as capital, as proved by higher living standards in machine equipped nations.

Trade associations, labor unions, and farmers might profitably turn their study to finding some method to bridge the gap so that jobs and purchasing power can be maintained during inevitable disturbances of progress.

There is a good, selfish foundation for such a program. Their prosperity is tied up with that of the people out of work who can't buy for the moment. But it would require a complete reversal of the present technique of rooting everyone else out of the trough, which apparently hasn't worked either because we're told that millions are still unemployed.

We didn't get into our present fix quickly. We'll be some time getting out. But any observer watching moves by every sort of organization to control, limit, govern, or in some other way handicap someone else, cannot but agree with an old, retired farmer who was asked just what is wrong with the country. The old man retorted:

There's too dang much tendin' to the other feller's business.

If all business men returned to shaving profits once again, going after volume instead of "fair trade" acts; if laboring men once more decided to work for what they can get and not what some theorist tells them they are worth; if farmers start figuring profits instead of prices—how long would America have idle money in the bank, idle men on street corners, and factories running part time? How long would prices and wages remain down, in fact, with demand created?

There's feed in the trough for the fellow who will go after it instead of trying to root the other fellow out! It can be had without meetings on strategy, expensive political campaigns, luncheons, spending time with the legislature, or hating anyone. There is no economic law which applies to Thee which doesn't affect Me, no matter what men may put on their law books or theorists argue.



## For America— Guns and Butter

(Continued from page 19)

The financing of defense is not merely a question of reducing expenses, of borrowing, of taxing, or a combination of these. The effects on the economic system must be considered. From the standpoint of business, a vital question is:

"What kind of taxing?"

There is a world of difference between restrictive and non-restrictive taxation. Given our present degree of economic idleness, the spending of revenues from income and estate taxes will tend to stimulate the production of goods and services, both defense goods and consumer goods. On the other hand, increased taxes on consumer goods, as recently enacted, will tend to hold down the consumption of consumer goods and the level of business activity. From this standpoint, the Doughton bill is a combination of business-stimulating and business-retarding taxes.

### The effect on consumption

SALES or transaction taxes bear heavily on those in the lower income brackets, and tend to reduce consumption of consumer goods. A progressive income tax, on the other hand, although it tends to reduce savings, syphons idle income into the stream of daily consumption. Washington students of the national income and subscribers to the "spending theory" argue that the large defense program will increase the national income by much more than the amount of the spending itself. Under existing circumstances of partial employment of men and machines, the defense program need not reduce the average standard of living here, even though 1942 automobiles are the same as 1941 cars.

The production of goods and services, it is held, creates not only the purchasing power to buy those goods and services, but a great deal more besides, because those who produce those goods will be able to buy more of other goods from the rest of us. It is calculated that a government expenditure of \$3,000,000,000 will increase the national income by \$6,000,000,000 to \$7,500,000,000. The people will have more to spend, and to save.

The \$3,000,000,000 just mentioned is only a small part of what probably must be spent to make the country safe from attack. Huge sums could be spent for strategic highways, underground shelters, anti-aircraft defenses, and other works not yet publicly discussed.

Assuming, for the sake of illustration, a net expansion of \$3,000,000,000 in the Government's 1940-41 spending as a result of defense preparations, this would mean the virtual doubling of what the Federal Reserve Board describes as "the net contribution of the federal Government to national buying power"—a "spending" program of no mean proportions.

It is only fair to point out that not



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everyone views the economic and fiscal effects of the defense spending complacently. Some would go much further than Senator Byrd, suspending all non-essential public works, cutting down "scandalously overgenerous subsidies," scrapping the W.P.A. in its present form, and so on. That much heavier taxes have not been suggested for immediate application is supposedly due to the approaching elections and our depressed economic condition. Yet that is only one factor. Modern wars are simply too expensive to be financed by taxation, and total preparedness on the scale envisaged here is unlikely to be so financed. During the World War less than a third of federal expenditures were met out of tax revenue. Our experience then is worth reviewing briefly.

For the war period, April 6, 1917, to October 31, 1919, government expenditures, exclusive of the principal of the public debt and postal disbursements from postal revenues, was \$35,413,000,000. Of this, \$11,280,000,000, or 32 per cent, was met by tax receipts and revenues other than borrowings. After deducting the \$9,406,000,000 of foreign loans, the Government's war expenditures totaled \$26,007,000,000. Assumed government expenses had there been no war—\$2,583,000,000 for the period—would have been small indeed. Thus, the World War increased federal expenditures at home tenfold. The financial aid to the allies was extra.

Our two and one-half years in the World War increased the gross federal debt more than \$26,200,000,000.

The revenue act of 1918 provided for raising approximately \$10,000,000,000 in the first two years through increased tax rates and new taxes. During the fiscal year, 1919, internal revenue receipts aggregated \$3,850,000,000 of which the bulk, about \$2,601,000,000, came from income and profits taxes.

Alcoholic beverages and distilled spirits supplied \$483,000,000 of revenue, transportation \$238,000,000, and tobacco \$206,000,000. Excise taxes on sales by manufacturers, producers and importers yielded only \$82,400,000 and excise taxes on sales by dealers including sculpture and paintings, carpets, picture frames, wearing apparel, perfumes, cosmetics, soft drinks, ice cream, etc., yielded only about \$6,100,000. Amusement taxes produced \$55,000,000, estate taxes \$82,000,000, and taxes on securities \$34,000,000. Other taxes were levied on insurance, oleomargarine, narcotics, parcel post packages and so on.

A year after the Armistice, Secretary of the Treasury Carter Glass urged on the Congress "the most rigid economy and the continuance of ample revenues from taxation." He said:

Government expenditure is the most vital, fundamental factor in increasing the cost of living. . . . The least harmful of all methods of meeting government expenditures is taxation and, of taxes, the least harmful is the personal-income tax. . . .

Also of current interest is the experience of other countries with defense finance. According to a Foreign Policy As-

sociation study, Germany's tremendous armament program of recent years was carried forward "without inflation and without disrupting the German securities markets." A large part of the program was financed by borrowing, that is, compulsory loans.

Italy's and Japan's rearmament, similarly, have been financed chiefly by loans while, in Great Britain and France, rearmament occasioned both large-scale deficit financing and heavy taxation. Great Britain's hope that rearmament could be financed out of current income was abandoned at the very beginning of the five year program, which provided for a defense loan of 400,000,000 pounds. Under this authorization, the first year (1937) about 100,000,000 pounds was borrowed, but only 65,000,000 pounds was actually spent. Although the 1938-39 budget presented the British with the heaviest taxes since the World War, the Government indicated that it was reconciled to unbalanced budgets and heavy taxes.

### Far reaching industrial effects

REARMAMENT naturally distorted Great Britain's industrial structure. In 1938-39 an estimated 22 per cent of its national income went into taxation. Yet this was actually a small burden compared with that in the Continental Powers. In France in 1938 one-third of the budget was for national defense. By 1940, after war had broken out, the British were seeking transference of five-eighths of the national income to the State.

In Europe the influences of preparedness upon the economy prior to last September were so far-reaching as to give rise to the term "preparedness economy." Frederick Pollock states that Europe's preparedness economy has made way for the transformation of the capitalist system by creating new vital institutions within the economic body.

Because warfare has become "total," preparedness also has tended to become "total." Unlike totalitarian Germany, the democratic type of preparedness in Europe initially was marked by separate, apparently unconnected measures calculated to disturb as little as possible private enterprise and the political system. But, as danger of war increased, Great Britain and France veered to measures totalitarian in their effects. Their governments assumed the dominant role in the redistribution of income and savings.

"As government becomes an economic Leviathan," Pollock concludes, "individual private capital step by step loses its traditional rights."

Prices, profits, raw materials, labor and foreign trade are shackled. Production of armament goods displaces production of peace-time goods. There is a gradual absorption of unemployment. Europe's experience shows incidentally that small units in industry and trade suffer more than big business through the deliberate elimination of the less efficient establishments.

Under "total preparedness" in Europe, full employment was attained only at the cost of an adequate standard of living



and by building up an economic structure hardly suitable for peace-time operation. Finally, total preparedness led Europe to the threshold of state capitalism. Not only in Germany, but in England and France in recent years the Government became either owner or partner in great industrial and commercial enterprises.

The countries of Europe are much more dependent on imports than is the United States. Europe's experience does not necessarily foreshadow our own. But it is worth noting by business men.

While many business men fear a repetition of the price inflation which marked the World War, should the war envelop this country, Washington is calm on this question. So long as the capacity exists for producing more goods, inflation in the price of those goods cannot take hold. Moreover, as evidenced in the formation of the National Defense Council's advisory commission, the Government is watching prices closely. A point recently made in Europe by the British economist, Keynes, is not without interest:

The psychology which provoked previous price inflation is not present today. So far from there being a natural tendency to raise prices in response to an unsatisfied demand, manufacturers and retailers are reluctant to charge higher prices except in response to an actual rise in cost. . . . They have no desire to flout public opinion and what appears to be the intention of the authorities. They are doubtful how they stand under the Anti-Profiteering Act. With the Excess Profits Tax they have less inducement than usual to maximize profits.

That the impact of the European war

is having profound effects on our economic life is self-evident. Our wealth may enable us to ride the danger safely. What worries a good many people, however, is the after effects. Are we going to get into a war? Are we going to keep arming indefinitely? Or are we going to have a disarmament let-down?

Whatever happens, life will be different.

In view of the numerous changes in the defense program figures since the President's initial emergency request, the following data, supplied by the Treasury on June 12, may be of value:—

(In millions of dollars)		
Total estimated expenditures for fiscal 1941	\$10,001	\$10,001*
Total estimated deficit for 1941 (Secretary's statement of June 12)	4,350	
Total receipts prior to new tax bill	\$ 5,651	
Total estimated revenue yield of new tax bill for fiscal 1941	729	
Total estimated receipts for 1941	\$ 6,380	6,380
Total estimated deficit for 1941		\$ 3,621
Total estimated unused borrowing power as of June 30, 1940		\$ 1,700
Plus increase in debt limit		4,000
Borrowing power as of July 1, 1940		\$ 5,700
Total appropriations this session for War and Navy for 1941 (non-inclusive of rivers & harbors)		\$ 4,916
Other emergency defense appropriations for Coast Guard, FBI, strategic materials, etc. (approximate)		124
Total defense appropriations for fiscal 1941		\$ 5,040

\*(Estimated expenditures of \$10,001 include Undersecretary Daniel W. Bell's June 12 estimate of national defense expenditures in fiscal 1941 of \$3,252 million.)



## Atmosphere

sells the  
top market

• It takes the right atmosphere and the right location to sell the "Fifth Avenue Market". That's why stores from coast to coast are spending millions for new decor, new props, new luxury settings and show windows that rival the theatre.

• For your advertising, the CONDÉ NAST GROUP provides the setting for top market sales. Vogue and House & Garden give you the location where smart people shop . . . the luxury atmosphere . . . the style authority . . . the brilliant showmanship-in-print that pulls at the purse strings of America's best customers!

## THE CONDÉ NAST GROUP . . . VOGUE and HOUSE & GARDEN

. . . current circulation  
over 400,000



"He says the Government treats him like a criminal and he intends to dress the part."



# LUCKY STRIKE

## fumble-proof

### EASY-OPENING WRAP



#### By Package Machinery Company Wrapping Machines

Think of the millions of Lucky Strike packages that are opened daily by Lucky smokers, and the convenience value of this striking, new "fumble-proof" wrap looms large.

Wrapping the package in "Cellophane," the machine inserts an easy-opening tape, folding the end of the tape so that it stands upright... easy to grasp, "fumble-proof." One zip of the tab, and the top of the "Cellophane" is neatly cut around the package edge. It's the easiest method of opening yet devised.

The American Tobacco Company recently installed a complete battery of our new CM-T machines, especially designed to produce this new type of wrapping.

#### Package Improvement

This is but one of many instances in which our machines have led the way in package improvement—a reason why they now turn out 80% of the nation's machine-wrapped products.

When you seek package improvement or lower costs, why not take advantage of our wide experience? Consultation entails no obligation.



## Radio Looks to New Frontiers

(Continued from page 27)

the regular radio broadcasting stations now operating take up only about as much space on the spectrum as two or three piano keys—down around the "bass" or long-wave end. F.M. interests claimed an octave up toward the "treble" or short-wave end, where the F.C.C. had already posted nearly two octaves for television. Television interests wanted to keep their reserve solid and said that F.M. ought to be satisfied with a split octave—some keys on this side and some on that side of television. But that was a comparatively minor regulatory problem. The F.C.C. settled it fairly.

What about this F.M.? Is it really such an improvement over today's radio reception that it justifies tearing up an established industry by its roots and planting it all over again? The public will have to be the judge of that. If the public likes F.M. well enough, the transplanting will take place. If so, the broadcasting industry will gradually have to step up from the A.M., "bass," to the F.M., "treble," end of the spectrum.

The principal advantage of F.M. over A.M. is high fidelity and the virtual elimination of all forms of static. Certain subtle tonalities, such as the full range of a concert grand piano, the middle register of a clarinet, the higher notes of the oboe—elusive tones which A.M. has never been able to reproduce fully—all emerge clearly from the F.M. loudspeaker. The voice reproduction is startling. Special sound effects, such as the fizzing of Scotch and soda, come through so accurately that the listener's throat runs dry and he appreciates the comment of one British expert observer that F.M. is "ghastly in its realism." All this can happen while thunder and lightning just outside are tearing the heavens apart.

#### Differences in the methods

AN accurate explanation of the difference between the two systems would require a long technical discussion. But simply stated, the A.M. broadcast imposes the radio "signal" upon a carrier wave moving through a narrow channel. The only way the signal can be varied (or "modulated") to create any response on the receiving set is to cut down or increase the power. The only way that natural or man-made static can be overcome is by stepping up the power, which is something like shouting at the top of one's voice to drown out a noise.

In F.M. broadcasting, the voltage is kept constant (incidentally making much more efficient and economical use of electric power and delicate transmission equipment). Instead of a narrow channel, the carrier stream is spread out over a wide band. The necessary variation of the "signal" is accomplished by altering the frequency (or "cycles") of the alternating current, instead of its voltage. The result is a uniform flow of radio radiation which is almost immune to static interference.

But F.M. has other advantages, too. It

can be controlled so well that the "service area" covered by a transmitter of given strength can be measured on the map almost to the city block. Its smooth flowing sound radiations are so well behaved that two or more F.M. stations using the same channel can be operated in cities separated by less than 100 miles without fear of interference, distortion or "hashing."

Further, F.M. employs directional beams which can aim a broadcast with impressive precision at any given target within reasonable range. This makes it possible for F.M. to operate its own system for relaying network programs, thus eliminating the expense of using telephone lines.

Now we come to the question of the impact of F.M. upon A.M. As far as receiving sets are concerned, the transition threatens no sudden economic loss to the citizen. Of course, an A.M. receiver will not pick up F.M. broadcasts and vice versa. It is possible for an expert to alter the ordinary good A.M. receiving set so that it will accept F.M., but the expense involved would hardly be worth while.

F.M. sets will not cost much more than good A.M. radio sets did three or four years ago. As production increases, the cost should run about the same. Price quotations now available range from \$60 for small models receiving F.M. broadcasts alone to \$200 for console combinations that work on A.M. and F.M.

That last sentence suggests the answer to the worried retail radio dealers and the business advertisers. It is a pretty good bet that most of the F.M. sets sold to the public will be dual models, giving the buyer a choice of either A.M. or F.M. In other words, F.M. will be ushered into the radio picture, simply and quietly, as an added "band" on the receiving set—just as short wave reception came in.

The transmitting stations have a more expensive problem to meet. But they, likewise, are going to operate on a dual F.M. and A.M. basis—at least in the beginning. The same program will be sent out at the same time over different broadcasting towers, one F.M., one A.M. It is significant that the majority of broadcasting stations which have already applied to the F.C.C. for F.M. licenses are already operating on an A.M. basis and certainly have no intention of abandoning it.

Such a period of optional F.M. and A.M. transmission and receiving operation will make the transition from A.M. to F.M. gradual. Folks will not have to throw the A.M. sets away overnight. Eventually the superiority of F.M. may become so recognized that the average citizen will not want to keep his A.M. set. This period of transition will enable broadcasters to amortize their investment in A.M. equipment and for advertisers to shift over to dual broadcast sponsorship offered by the same station at combination rates.

There may come a day, years from now, when F.M. will become so universally accepted that A.M. audiences will

drop off and advertisers will cut out A.M. programs altogether. But that day is a long way off. Only public taste can decide whether it will ever arrive.

F.M. has still other features, such as the sending out of "facsimile" newspapers by radio, and the transmission of radio typewritten communications and other tricks (all at the same time that a musical broadcast is being transmitted). But to get back to that other radio revolution—television—we must consider next a certain regulatory problem which F.M. shares with television. It explains why neither one has, so far, been able to get going on a commercial basis.

Back in 1933, after he had perfected F.M., Major Edwin H. Armstrong, veteran radio inventor, asked the Radio Corporation of America to look over his brain child. He was disposed to sell out to R.C.A.

R.C.A. was interested, but, after more than a year, suddenly decided that it didn't want any although it admitted that F.M. had marvelous possibilities. There were several reasons for this.

### Handicaps on the new method

FIRST of all, the depression was still abroad in the land in 1934, and the economic atmosphere was hardly conducive to launching new industries. Again, R.C.A. was already heavily invested in A.M. along all lines. Finally, R.C.A. was already up to its neck in television and it scarcely felt up to supporting two costly researches at the same time.

Since that time, Major Armstrong and R.C.A. have pursued their separate ways. The major spent his own money to push F.M. R.C.A. has sunk about \$10,000,000 in television research. So far, neither R.C.A. nor Armstrong has made a nickel out of these activities.

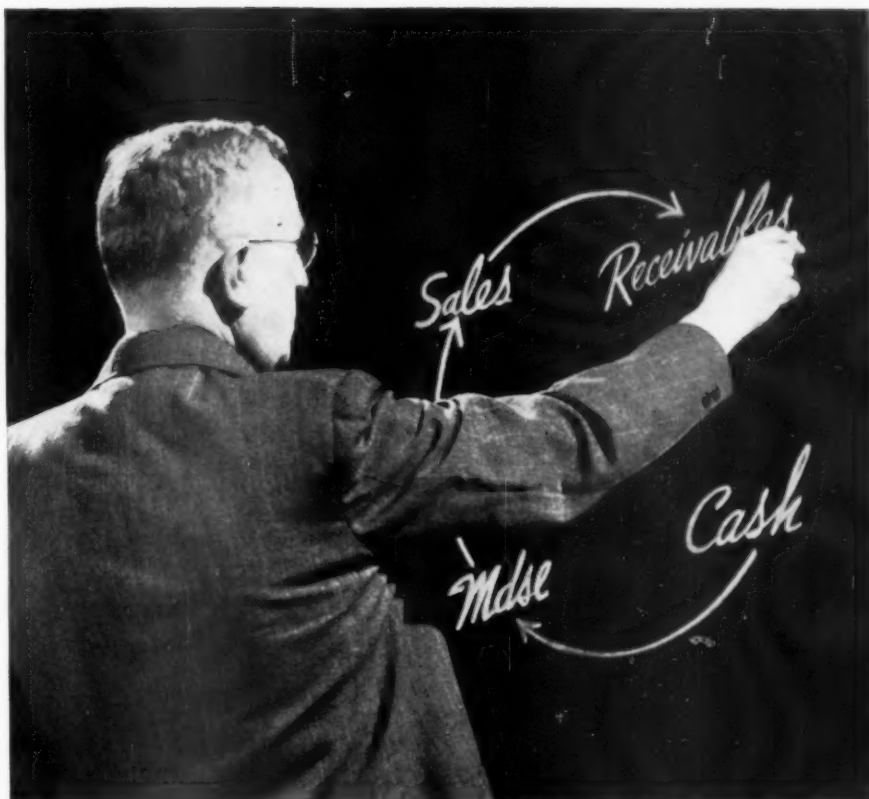
Last year, both Armstrong and R.C.A. decided that they were ready to shoot the works. Accordingly, they asked the F.C.C. to give them regular commercial licenses so that they could put sponsored television and F.M. programs on the air and begin the public sale of television and F.M. receiving sets. Heretofore, both have been operating on "experimental licenses" which the F.C.C. allows for research purposes only. Advertising cannot be broadcast on an experimental license.

It was expected that the F.C.C. would tell them to go right ahead.

But the F.C.C. has been cautious. In the case of Major Armstrong, it delayed approval until after it had just about decided that television was not quite ready for commercial operation.

In the case of television, the conflict facing the F.C.C. is more serious. Television consists of sending through the air, via radio, a rapid sequence of still pictures which, when shown in series, gives the illusion of actual motion—just like the moving picture projector.

The R.C.A. standard television sends 30 images, or "frames," per second, each one of which is defined at 441 "lines" per image. But competition has been at work. Allen B. DuMont, head of DuMont Laboratories, claims to have perfected a television technique which sends 24 "frames" a second at 625 lines per image. Philco Radio Co., manufacturer of radio



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## Why not Control the Complete Cycle?

You direct and control the movements of Cash to Merchandise to Sales to Receivables. And then—a dangerous gap in the cycle. The situation is out of your hands. Your debtors have your capital. Your debtors control your profits or losses on sales.

Thousands of executives safeguard the "gap" between Receivables and Cash by investing a fraction of a cent per dollar of sales in

### American Credit Insurance

The functions of American Credit Insurance are explicit: To reimburse, when debtors default through insolvency and to expedite payment of past-due accounts. Moreover, the Manufacturer or Jobber whose receivables are protected, sells with greater confidence, and is in an enviable position when banking accommodations are sought.

Ten basic policy forms offer almost every kind of coverage and degree of protection. Investigate.

## AMERICAN CREDIT INDEMNITY CO. OF NEW YORK

J. F. McFadden, President

First National Bank Building, Baltimore

OFFICES IN ALL PRINCIPAL CITIES OF UNITED STATES AND CANADA



## BUSINESS ASKED FOR IT

Every busy office executive, every grocer, druggist, florist, hardware merchant, has been looking for a full-duty adding machine to perch on desk or counter and make infallible figuring as handy as 'phoning.

The long-felt want is answered—by the new Victor portable adding machine. Just nine pounds of masterly engineering and streamlined beauty—silent, speedy, steady! Built to serve, priced to startle, the entire business world.

Choose either model; three adding capacities—9,999.99 for \$47.50; 99,999.99 for \$55.00; 999,999.99 for \$70.00—each totaling and printing ten times listing capacity. See your dealer, or write Victor Adding Machine Co., Dept. N-7, 3900 N. Rockwell St., Chicago.

In 10-Key or full-key-board models. Adding to 7 columns:

**\$55**

Victor Electric, \$114.50 to \$219.50

"WHERE YOU  
NEED IT . . .  
WHEN YOU  
NEED IT"



**VICTOR**  
ADDING MACHINES

sets, has developed a system using 602 lines per image.

The point is that a television set built to receive the 441-line pictures cannot pick up a different system of television broadcast. In television (unlike ordinary radio where even a 1920 crystal set can still be used to pick up a regular broadcast) the receiver must be fitted to the transmitter as a key is fitted to a lock. Any alteration of standards queers the works. The F.C.C. has no legal control over the lock (receiving sets), but it can control the key (transmitting standards), which makes the F.C.C. boss.

The F.C.C. is obviously afraid that if it lets R.C.A. get too much of a headstart on the sale and distribution of 441-line sets, the day might come when improvements in the television art would dictate a shift to other standards. That could make all the outstanding 441-line sets obsolete overnight. If this happened, the public might demand the head of the F.C.C. for letting such a thing happen.

Yet the F.C.C. has followed a devious course in handling the matter. Last February, after ample hearings and notice, the Commission issued an order allowing television broadcasters to start "limited" commercial operation beginning next September. R.C.A. took this as a go-

ahead signal and forthwith advertised its 441-line receiving sets to the public. Immediately a cry of distress went up from the DuMont and Philco interests that R.C.A. was trying to "saturate" the market with 441-line sets so as to foreclose the practical possibility of selling other sets. If this were to take place, they said, television progress would be "frozen" indefinitely. The F.C.C. set aside its own order and set the whole matter down for further hearings.

Then came the counter attack. Congressmen raged and newspapers denounced the F.C.C. for blocking television. Whereupon the F.C.C. tossed the whole problem right back into the lap of the manufacturing industry. By its order of May 28, it served notice that commercial television would be kept on experimental ice indefinitely—unless and until the industry's own engineers can get together on a mutually agreeable set of standards.

There has been a lot of loose talk on both sides. The argument that the automobile industry would never have gotten any place if some bureau had held up Model-T cars, on grounds that more improved models were in prospect, is fallacious. As Chairman Fly of the F.C.C. has pointed out, a Model-T Ford car still op-



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erates, but a television set would be useless if standards were changed.

On the other hand, Chairman Fly was himself a bit dogmatic when he compared the responsibility of the F.C.C. in fixing standards to the task of fixing the standard gauge for the width of railroad track. Certainly the decision is not as irrevocable as all that. When the standard gauge track was adopted, the decision became literally spiked to the ground. Any change now would be unthinkable.

### Sets can be changed

WITH television there is still some degree of elasticity. Both DuMont and R.C.A. witnesses testified before the F.C.C. that it would be possible at a relatively small cost, to install units and make adjustments in outstanding television sets so that they could receive both R.C.A. and DuMont standards.

Right now the suggestion for installing such dual reception standards may seem a bit silly economically. Network operation, which is even more essential for television than sound radio (to spread the high cost of television programs as widely as possible), would seem to call for—almost dictate—a uniform standard.\*

But if the day arrives when the television standards first put into operation become outmoded in the light of subsequent research, this testimony before the F.C.C. has already pointed a way out. Mechanical adjustments could be made, with the industry absorbing as much of the cost as possible, as a matter of good public relations.

As Commissioner Craven of the F.C.C. has pointed out, it will be largely the carriage trade that will invest in television sets in the beginning anyway. Those who are game to try something new and pay for the fun of playing with it aren't the squawking type.

\*Incidentally, R.C.A. has worked out a system for relaying network programs by a series of "booster" stations 50 miles apart, which will probably overcome the "horizon" limitation of television's service area—at the same time avoiding paying toll to the Bell telephone system for use of its expensive "coaxial cable" for relaying television by land lines.

## Housing—Bulwark of Democracy

(Continued from page 66)

rower is a maximum of 6.06 per cent a year on a discount basis and slightly over 5.5 per cent if the loan is set up with interest on the receding balances. Little government aid enters into this program, because the private lending bank or the borrower must pay the F.H.A. one half of one per cent a year of the original amount of the loan for such loss insurance.

Thus, on a \$2,500 loan for 15 years, the bank or the borrower pays 7½ per cent of \$2,500, or \$187.50, for only \$250 of insurance. This federal aid is in strong contrast to the slum-clearance program under which the federal Government finally pays off the whole housing cost.

John Green can now buy a plot of ground as large as he can afford or as

## Water Cooling?

"I'm sure glad the boss got another Water Cooler!"

"Me too! I save time and steps with this Frigidaire so handy!"



## Your Employees and Customers will appreciate conveniently located FRIGIDAIRE Water Coolers

• You can make work more pleasant for your employees and you can gain customer and employee goodwill by installing Frigidaire Water Coolers at the most convenient locations. These business-building units give you superior water cooling results at far less cost than old-style methods...soon earn their way and more, too. Call in Frigidaire today for a free survey of your requirements. See nearest Frigidaire Water Cooling Dealer or write Frigidaire Commercial and Air Conditioning Division, Dayton, Ohio.



Economical  
Frigidaire Water Cooler  
Ideal for stores, small  
general offices

• Typical of the complete line of efficient, dependable Frigidaire coolers is this medium-sized model that cools 3 to 5 gallons of water per hour from 80° to 50°. Investigate.



Frigidaire Products include: Water Coolers, Air Conditioners, Beverage Coolers, all types of refrigeration equipment for every need. See them when you visit the General Motors exhibits at the New York World's Fair and Golden Gate Exposition.



## Don't Lock Out the Postman

Our editors have little difficulty in mailing you a full twenty-five cents' worth in this July issue. They give you a dozen articles on subjects you must understand to plan your general business policies.

They give you such special features as a discussion of finance, in "Man to Man in the Money Markets"; of business conditions in "The Map of the Nation's Business"; of Washington's lighter doings in Herbert Corey's "Washington and Your Business"; and the popular "No Business Can Escape Change" page, about new products, services, and ideas.

Salesmen know you subscribers to Nation's Business are hard to see because you're busy and difficult to reach. Yet, you are easy to sell because you are used to new ideas, ready for them, able to buy them.

Because you are, 50 advertisers have bought the opportunity to get your attention through our advertising pages. They let a postman, instead of a salesman, bring their story about new products, new ways to cut costs, new methods of doing business more profitably.

Don't fail to read the advertising pages. They, too, are carefully prepared to bring new ideas to busy men. They save your time. They are your extra dividend.

**NATION'S BUSINESS**  
going to 337,000 men—the largest  
group of business buyers in America



small as 40 by 100 feet in a suburban or rural area. He can pay \$150 for his land and borrow \$2,500 to build his house. This structure at this price can now be a modern five-room house, with hot and cold water, bath, electricity, insulation, and heat. Broad research is under way to increase these values.

John Green, for example, builds his own home on one half an acre of ground six miles from his usual place of work, where he earns \$25 a week, while his cousin, Henry Williams, with the same income, moves into a slum-clearance apartment project six blocks from his job.

Henry Williams pays \$4.82 a week rent for a living room, kitchen, two bedrooms, and a bath. He, too, has all the modern conveniences. When he walks home from work he may read the paper, turn on the radio, or go next door for a chat with a neighboring renter.

### Time to work on the land

JOHN GREEN, on the other hand, arrives home by trolley, bus, or in a low cost used car. The yard and flowers need attention. It is time to plant the garden. The chickens need a new coop. The cow's stall must be cleaned. A new electric outlet and a storage compartment in the attic are needed. The urge is there to maintain and improve this home he has bought, to work the land he owns, and to produce food for his family.

The weekly grocery, meat, and milk bills can all be cut. There is little necessity to spend money for diversion. The partnership with his wife in this human adventure leaves little room for other interests. Saturday holiday is a boon because it gives him time to increase his activities at home.

Henry Williams' children go out to play in the supervised area in the afternoon, but by nightfall they may be roaming the streets. John Green's children are out in the country where there is ample opportunity for diversion.

When employment is slack for John Green, and hours are shortened or a lay-off comes, he can be occupied all day working about his place. But Henry Williams finds nothing about his apartment to occupy him and to consume his idle time. John Green will no doubt get as nearly as he can on a self-subsistence basis to make his cash reserve or unemployment pay go as far as it will.

Henry Williams, however, can add nothing to his family's maintenance by any effort in or around his subsidized apartment. He can only loaf in misery, seeing an early end to his savings and a six to 16 weeks' termination to his unemployment benefit.

But more important still to America's future is the end of the 15 years, when John Green's final \$4.82 weekly payment has been made. His mortgage is paid. He owns his own home. That home is his castle. All these 15 years he has been inspired by the thought that he is a land owner, a freeholder. He is definitely a success. He has felt the stimulating and constructive touch of the democratic opportunity for full and free self-expression.

All through these years he has lis-

tened to the demagogue who would tax his property and his income, who would raise the price of his food and his clothes by imposing more taxes to increase the benefits of governmental subsidy to his Cousin Henry Williams. He has recognized each effort to attack his pocket-book. He has determinedly aligned himself with those who would conserve and build.

Henry Williams has seen no future hope for himself as a tenant. He knows his dependence upon society and its obligation to care for him and his family in days of idleness or incapacity. He is ripe for the harvest of rising socialism, or even sovietism, if such be offered as his only prospect of security.

Whether or not John Green has been constantly interested in his plot of ground for gardening or for food, he has for the same \$4.82 a week, that would otherwise have gone for rent, finally become the owner of his home. All city dwellers will not seek the semirural or outer suburban areas and there build their homes under any program or any stimulus. But, until and unless all those who yearn for the opportunity are given this chance on terms consistent with their income brackets, we have not fully expressed to every man his right and his choice to feel the democratic force of individual self-expression.

At the end of 15 years, Henry Williams can only sit and thumb in his fingers 180 monthly rent receipts. All his rent dollars have been transitory in their hire of a temporary shelter for himself and his family. At 60 or 65 or 70 where will he move when he can no longer earn the \$4.82—to one of his children's homes and there be quasi-dependent; to a one-room apartment that he can afford on his old-age pension that must provide food as well as shelter; to an institution that welcomes him for his dole?

John Green gets his last pay check at age 65. His home no longer requires payments for interest and principal, but only \$1.50 or \$2.00 a month for taxes and insurance. He can now work all day in his garden, feed his chickens, tend his cow. His true old-age pension and unemployment reserve has come from his own foresight and frugality, which together bring him happiness in his sense of independence and continuing usefulness in his occupation. What if, instead, he had gone into a slum-clearance apartment along with his Cousin Henry Williams, who is still a tenant?

John Green is a capitalist, if you please. Perhaps he may even be classed as an economic royalist. American democracy has for him produced tangible results. On a limited income in his producing days he has become part owner of the land. He has erected and maintained a home. He has lived to enjoy the fruits of his labor, and in his remaining days is independent and occupied.

Today it is well within the power of American business men as a group and as individual operators, whether they employ 50,000 or five workers, materially to influence the direction in which America shall move. By cooperating in this program they can stimulate the ownership of homes for their people.

The average workman needs help in



finding a sensible and useful location for his house. Executives can consult with their employees (if few in number) and bring such opportunity to their attention. Personnel departments in larger organizations can be instructed to explore the requirements and opportunities of this program and encourage its use. Corporations and firms in a given area can band together to develop home building in the quasi-rural or outer suburban areas, as opposed to concentration of industrial workers in congested city areas and federally subsidized projects.

If the concentration of population in industrial centers continues to become more acute, it inevitably follows that, in days of unemployment and in the years of old age, society must ever increase its burden to carry that load where the workers have no opportunity to supplement their income or find diversion. Every worker has a vote and every demagogue knows the power of appeal to those who, by choice or by necessity, are thus the prospective beneficiaries of increasing social responsibilities.

### A chance for better housing

THE increasing social pressure of the crowded city is the growing cancer of American democracy. Here in the F.H.A. program for small homes construction lies an opportunity to restrain this growth. Here is an opportunity to build a sound bulwark of opposition grounded in democracy against a rising threat of the socialization of industrial life.

The F.H.A. Title I, Class 3, program (as this particular part of the Federal Housing Administration's activity is known) will expire June 30, 1941. Perhaps by that time enough experience and encouragement will have developed for American business to join together as employer, builder, and financial agency to carry on this added expression of democratic opportunity independent of any government aid.

England, after the World War, undertook governmental programs for complete home building and almost wrecked its economy upon an inefficient and stultifying bureaucracy. Common sense came to the rescue, and private business in 1934 took over home building for the masses as a private venture. They have succeeded in terms of concrete reality. The socialistic pipe dreams failed to achieve any genuine good.

In America we have now a sane opportunity to bring home ownership to millions whose limited income heretofore suggested only tenement, cheap apartment, or slum-clearance rental.

To the responsible business executive, this machinery for converting a significant part of the theory of democratic opportunity into experienced reality of home ownership for the masses is not confined in its implications only to the area of home building. It touches fundamentally upon the question of our being able so to interpret the reality of democracy to the masses that we shall be able to maintain our current system of free enterprise under our present form of a representative republic. This is the road America can travel in the coming years.



## Introducing THE ORIGINAL HIGHBALL

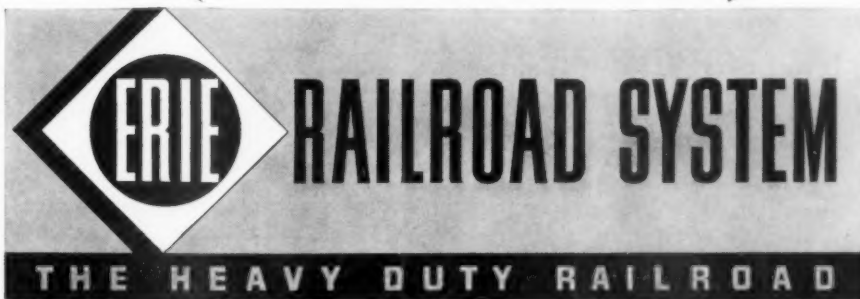
In the railroading days of Casey Jones, semaphore and disc signals hadn't been invented. With ropes and pulleys they used to raise a ball high on a pole to indicate a clear track. From that came the word "highball"—meaning full speed ahead.

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## Industry Watches Movies for Public Trends

(Continued from page 22)

The booklet was sent to the Company's distributors, with the announcement "Thousands of people will pack the nation's theaters . . . will see 'Caterpillar' obey the demands—sensational, breath-taking demands—of that high-powered salesman as he outshines his craftiest competitor."

"'Caterpillar' tractors cast on the minds of thousands an indelible, long remembered favoritism for 'Caterpillar' tractors."

"Profit to YOU from this picture will be incalculable."

Then came an announcement of a contest, with prizes of \$150, \$100 and \$50 each to the theater manager and local Caterpillar dealer who put over the best promotion scheme; contest to be sponsored by the Caterpillar Tractor Company.

These are cases of deliberate hypodermics in the public's arm; there are plenty of instances when an industry finds itself with soaring sales, though it had no part in the picture itself. The Indian Archery and Toy Corporation was pleased with its doubled sales, as the result of its tie-up; but the rest of the archery set industry was equally pleased by the effect which the motion picture had on sales generally. A picture creates a fad and the demand stimulates sales not only for the firm which plugs the picture, but for the industry as a whole. Archery set firms were working overtime to fill the demand.

The same thing happened, on a much larger scale, when Norway's blonde goddess skated out onto the ice rink and left America gasping. Before any ice skate manufacturer realized the magnitude of the thing's significance, he was being swamped with orders from his

sales representatives throughout the country. Orders came, particularly for white shoes which are worn almost exclusively by women for ice-skating. One firm reckoned that, while ten per cent of its business three years ago was in white shoes, today 60 per cent of its sales are white shoes; which gives you an idea of how many girls and women have trailed their star onto the ice.

Every ice skate manufacturer gets a little lyrical when Miss Henie's name is mentioned, and they all agree her effect has been "tremendous." The entire industry, with no effort on its part, has been stimulated. Only one company, the Nestor-Johnson Manufacturing Co., makers of the Johnson tubular skate, made a direct tie-up with Miss Henie. (The Norwegian star belongs to Twentieth Century-Fox, one of the motion picture companies which does not concern itself with the exploitation of its stars, leaving all such tie-ups to be engineered directly between star and manufacturer.)

The Nestor-Johnson Company makes no attempt at restraint:

Miss Henie's appeal has been the biggest thing ever to happen to our industry . . . her motion pictures have sent sales skyrocketing to a new all-time high. . . . A rising interest in skating, in every class of people and of all ages, from school children to bank presidents. . . . If the industry had set out to create this tremendous power we frankly do not know how it could have been done.

As for its own part, the company admits a tremendous increase in sales in 1937. It not only promotes its regular Johnson tubular skates through Miss Henie's pleasing smile, but makes and markets "Sonja Henie" skates. Ecstatically it reports that, while the winter

## Variety is the spice of Government



**Alex Dow, Chairman, Exec. Comm., Detroit Edison Company. Quotation from annual report**

"Since 1932, taxes paid by the company—and, hence by our customers—have been increased from four varieties to ten varieties. . . . Of each dollar collected we now pay over to taxing authorities nearly 15 cents. We accumulated \$9,924,205 in 1939 to be paid to taxing authorities, while the stockholders received \$7,610,021."

of 1937 was certainly none too good from the general business viewpoint, yet it might have been a repetition of the boom years as far as the Nestor-Johnson Company was concerned; sales advanced over the "never-to-be-forgotten boom days of 1929."

Often the business stimulus, as a result of motion pictures, is a drawn-out affair; the result of accumulated impressions over a period of years. When Mr. and Mrs. Jones set out to exchange hard-earned dollars for home furnishings or clothes or practically anything, they are almost unconsciously motivated by "something they've seen in the movies." It's partly the long-term effect like this, and partly the deliberate plugging by a magazine, that is putting Venetian blinds in nearly every office and a great many homes today.

Off the record, Venetian blinds manufacturers are likely to remark, "Movies are largely responsible for the rage for Venetian blinds today." When they're being analytical, for publication, they point to a certain impetus, a turn of the tide. A home furnishing magazine, back in 1930, wrote an editorial advising that Venetian blinds were the proper vehicle to express the current Victorian trend. Venetian blinds, in case you don't belong to that generation, used to grace every good brownstone back in the '80's.

#### A style that grows

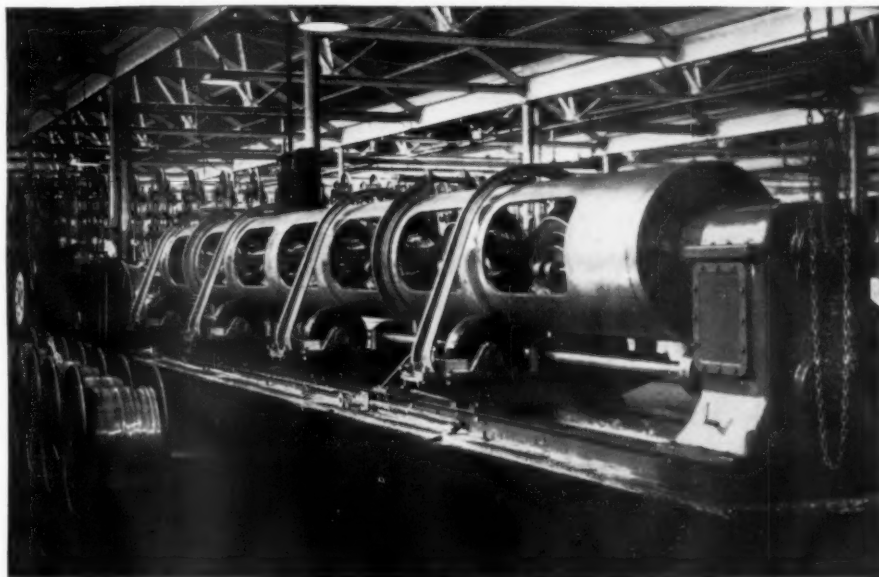
THE upper crust heard, and bought. Hollywood heard, and began to show Venetian blinds in its sumptuously furnished offices on the screen. By 1933 the movies had carried the message to the great masses, and today, instead of six or seven manufacturers of Venetian blinds there are thousands of manufacturers in the country. The Victorian home furnishings idea has faded, but the Venetian blinds remain; within the past few years, they have been made available to the lower-income groups. The upper-crust market has reached saturation; the middle-class market is just being scratched.

The history of the Columbia Mills reflects the growth. In 1928, this large window-shade concern began making, in one of its factories, Venetian blinds. The demand was rather incidental, but in 1930 it inveigled the magazine to start talking about Venetian blinds. Today this firm has four factories making Venetian blinds. Its representatives assert that they are selling ten times as much today as they did ten years ago.

Shirley Temple Dolls . . . Jane Withers Dresses . . . they're all best-sellers. But by far the most spectacular and influential celluloid character is Mickey Mouse, who has sliced off a huge chunk of the business done by 150 manufacturers during the year for his very own. When you add all these chunks together, you get a special Mickey Mouse industry, created directly because of Mickey Mouse pictures, that is estimated variously from \$20,000,000 to \$40,000,000. Plenty, anyway!

Mickey has not only provided such companies as General Foods, Cartier's, Grosset and Dunlap, the publishing firm, with steady year-in-and-year-out sales

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" . . . power rates are reasonable . . ."

" . . . despite these advantages, we did not locate here until we were convinced that the present State Administration, through its Department of Commerce, was determined that labor and industry alike should be treated fairly and equitably and that both would be encouraged by a trend towards lower taxation in general, and that every citizen could expect a fair deal."

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which no one could have predicted or even planned ten years ago but he has created the brand-new firm of Kay Kamen, Ltd., with a good-sized staff to handle the tremendous line of merchandise which bears Mickey's name. This firm has ample offices in Rockefeller Center.

Mickey's influence is a story in itself. But the merchandising efforts within Mickey's privileged circle are dramatic and can be briefly reviewed. Mickey's greatest sales are, first, books; and the four publishers, Harper's, McKay, Grosset and Dunlap, and Whitman's (book manufacturers for Woolworth's, etc.), share a \$1,400,000 income which they never would have had if Mickey had not pranced onto the screen a decade ago. Mickey's next biggest sales are in the food industry; third, in toys; and fourth, in apparel.

With most of the companies, Walt Disney Enterprises gets a five per cent royalty on sales; usually, with food companies, Kay Kamen, Ltd. draws up optional annual contracts for a set sum to be paid by the food manufacturer regardless of the rise and fall of business. Over a period of years, the system balances itself—or so the Kay Kamen people feel; they contend that both parties to the contract are satisfied; witness the fact that the option is always taken up. Anyway, this is the reason why it's impossible to get a figure showing Mickey's influence on food sales. You can get an inkling, though, when you're told that National Biscuit Company sold 15,000,000 packages of Mickey Mouse Crackers in 1938.

The confectionery business alone represents about \$1,000,000 in sales among four or five companies. In 1937 Kay Kamen, Ltd. worked out a scheme to market through an intermediary; it contracted with Owens-Illinois Company, makers of glassware, for jars, or glasses, decorated with the inimitable Mickey. Now, obviously, the super-dignity of the Walt Disney Enterprises would not allow Mickey's representatives to contact hundreds of dairies throughout the country—but it permitted Owens-Illinois Company to distribute cheese glasses, for instance, to its customers, providing the dairies used the glasses with proper respect and under conditions laid down by Walt Disney Enterprises. About 250 companies participated, and Owens-Illinois sold 20,000,000 glasses; some were used for peanut butter, some for cheese, etc.

As for apparel, gross sales total between \$3,000,000 and \$4,000,000. The sale of toys is about 50 per cent greater.

There's a steady demand for plain Mickey Mouses year in and year out, but the spectacular side of the Walt Disney merchandise industry lies in the constant change of products. That, says Kay Kamen, Ltd., explains the success of the industry, too. The agency usually suggests to the manufacturer what to produce, and the manufacturer listens cooperatively because he knows Kay Kamen, Ltd. wants sales as much as he does. The manufacturers who've been going along with Mickey for years always get first choice at contracts when a new picture is being planned, and they

usually gobble them up—even though it means a whole new line of goods.

General Foods appreciates this philosophy of change so much that it changes the pictures on its Post Toasties packages every three weeks.

Here's an example of the business acumen behind Walt Disney Enterprises:

One year, the lettering of "Donald Duck" or "Minnie Mouse" ran vertically on the glasses. That was deliberate and successful. Why? Because the mother could point out to her offspring, "But, darling, you've only drunk as far as 'Donald.'" Gullible Betsy, diverted for the moment from the taste of the milk, got down to "Duck" and found she'd drained her tumbler. Cute?

### Cooperation with manufacturers

NEXT year, manufacturers saw previews of Walt Disney shorts and arranged glasses decorated with pictures from each new film; there's the golfer from "Donald's Golf Game" and the messenger from "Donald's Lucky Day" and so forth, each one accompanied by a sprightly little verse.

For even closer working with a picture, take the case of "Ferdinand." Months before the picture was to be released, cartoons were sent to the Paris representative of Walt Disney. The character was given to the ritziest silk manufacturers, who proceeded to design silks on which reposed the philosophical bull. The silks were taken to couturiers, who were inspired to create dresses, scarves, bags, etc.

On this side of the ocean, old licensees were being given first choice to Ferdinand, and a month before the picture was released, 50 contracts had already been signed; for pencil boxes, jewelry, rayons, toys, pocketbooks, etc.

Until the picture was released, and immediately afterward, all the "Ferdinand" products were distinctly luxuries. Paris designers sold dresses between \$65 and \$200; Cartier sold charms, etc., at \$100. A month or so after the picture was released, the rayon manufacturers and the inexpensive book publishers were in full swing and the great American movie-going public bought Ferdinand on everything, from a dime to a dollar.

Oddly enough, the trade among the masses never seems to hurt the luxury trade; the same cycle had been used in "Snow White." People kept right on buying "Snow White" charms for \$100 though "Snow White" charms were being sold, too, in the five-and-ten. The timing of all this is important, but Kay Kamen, Ltd. has it down to a science.

Somewhat like the majority of movie companies, Kay Kamen, Ltd. lets the business man come to it. It could have 2,000 licensees, but it sticks to its select 150. It is all extremely dignified, in line with Mr. Disney's wishes. The creator of Mickey and Donald and Minnie does not want his offspring commercialized. So, ostensibly, Kay Kamen, Ltd. does no selling; not, that is, in the accepted sense. The representatives at Rockefeller Center admit they *do* sell, but they have their own methods. And they wouldn't want any one to know about their subtleties.



## "Fair" Labor Standards in Name Only

(Continued from page 24)

director, of a midwestern corporation. His job is to handle audits of the company's main office and its branches in other cities. While at the branches, and in times of heavy work, he often puts in more than 42 hours a week. He handles some routine matters. He has nothing to do with hiring and firing. So, despite his position and income, he may be covered by the Act. The attempt to arrange his hours to comply inconveniences him and the company.

### Definitions aren't practical

STRICT definition of what an executive is should, and probably will, be relaxed by the Wage and Hour Division. Present regulations state that an employee in a *bona fide* executive and administrative capacity must be paid at least \$30 a week, must direct other employees and manage an establishment or department thereof, must have a special voice in hiring, firing, advancement and promotion of others and must do "no substantial amount of work of the same nature as that performed by non-exempt employees of the employer." Officials of the Wage and Hour Division have frequently declared that, if more than ten per cent of the time of the person in question is spent in work done by non-exempt employees, there may be no exemption.

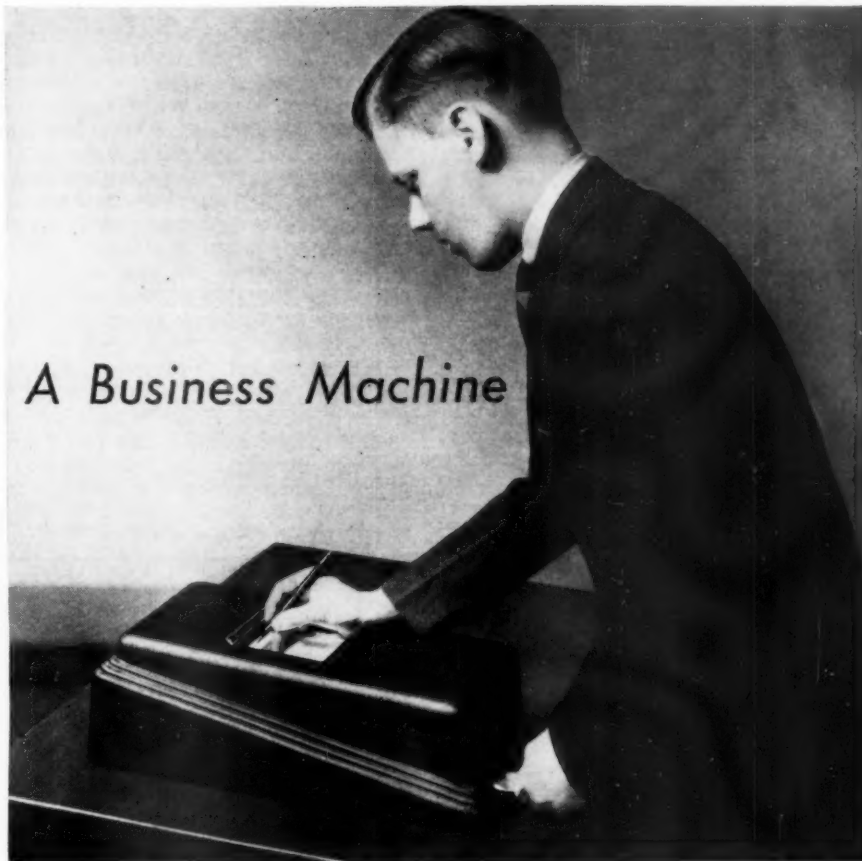
Several bills have appeared in Congress to correct this situation. Newspaper publishers and others have demanded special consideration for persons in an administrative capacity who are not necessarily executives.

Evidence from many employers makes it clear that the Act has gone far beyond its original purposes. Americans were told, when the legislation was first proposed, that the F.L.S.A. would eliminate sweatshop conditions—unbearably long hours and "coolie pay." But its effects have been far more widely felt than this. Realization grows that the Wage and Hour Law is being used to force up wages in industries paying far higher rates than any mentioned as "minimum" in the Act; that every possible argument is used to extend the list of persons and firms covered. These facts led the Department of Manufacture committee of the Chamber of Commerce of the United States to comment, on January 26, 1940:

If, in the administration of the federal wage-hour law, greater emphasis had been placed upon the fundamental objective of the legislation of benefiting the low-wage earner, with less attention to ways and means of extending its coverage to the greatest possible number of workers regardless of the height of their wages, a more satisfactory test of the efficacy of the law would have resulted.

In case after case, it develops that it isn't just employers who have cause to complain; workers, too, are getting slapped in the face. Consider the regulations forbidding averaging of hours

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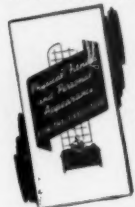
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### DIVIDEND NOTICE

#### Common Stock Dividend No. 98

A cash dividend declared by the Board of Directors on June 12, 1940, for the quarter ending June 30, 1940, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on July 15, 1940, to shareholders of record at the close of business on June 29, 1940. The Transfer Books will not be closed.

D. H. FOOYE, Secretary-Treasurer.

San Francisco, California.

over more than one week to avoid overtime payment. There's a private secretary who draws \$140 a month. Her vacation is three weeks with pay. She gets extra time off for trips out of the city and is never docked for sickness.

Ordinarily the girl works less than the maximum 42 hours a week. But in summer comes inventory and she puts in extra time. The Wage and Hour Division decided that her employer owed her \$43 for overtime in 1939, though for the year as a whole, she had worked 190 hours less than the total maximum allowed by the Act without overtime payment. Employers such as this one may find it necessary to cut workers' vacation periods or to begin docking them for sick time off, if the Wage and Hour Law continues to create such a burden.

Three union men are pretty angry about the Fair Labor Standards Act in another city. They are truck drivers working for an employer whose business load changes sharply from week to week. They were tired of uncertainty about the size of their weekly pay checks, so they sat down with the boss and worked out a weekly salary schedule on the basis of 70 cents an hour. They were to get \$35 a week whether their working time was 50 hours or much less.

Hour Division finds that the Act allows an employee to work far longer than 42 hours a week without overtime payment at all. The trick is to hold more than one job, but work no more than 42 hours a week for any employer.

One fellow does just this. He works in a factory in the daytime Monday through Friday and spends evenings, Saturdays and Sundays running a filling station. Neither employer needs to pay overtime.

The Wage and Hour Division said on this point, in its Interpretative Bulletin Number Thirteen:

... an employee may work 40 hours for Company A and 15 additional hours during the same week on a different job for Company B. In this case it would seem that if A and B are acting entirely independently of each other... both A and B... would be privileged to disregard all work performed by the employee for the other company.

Unfortunately, while this interpretation inconveniences nobody but the person who tries to puzzle out its logic, its converse harms workers and employers alike in many cases. There were the foundry workers, for example, who wanted to fatten pay checks that became pretty lean during slack periods.

The drivers want to  
work out a weekly  
pay schedule but the  
law won't let them



But the Wage and Hour Division destroyed this mutually satisfactory arrangement by decreeing that overtime must be paid in the longer weeks at the rate of \$1.05 an hour.

When the Wage and Hour Act went into operation, its friends used to talk about what it would do to improve the health of workers by cutting the work-week.

It was not made clear why a work-week longer than 42 hours with overtime payment is more conducive to "health, efficiency and general well-being of workers" than a work-week of the same length paid for at straight time. But, aside from this point, the Wage and

Sometimes they worked their maximum week of 40 hours. Sometimes it was only 16 or 24 hours.

A few of the men got together one day.

"Listen," one said. "We can pick up some more money if we unload those cars out there, instead of letting other fellows do it."

He indicated the tracks adjoining the plant, where the cars carrying raw materials—sand, coke and pig iron—stood.

"Let's tell the boss we'll unload 'em at so much a car when we're not working," somebody said.

They went to their employer with the proposition. Cars would be unloaded,



without supervision, at a stated contract price. It would have to be done soon after they arrived, though. You couldn't wait for slack periods, with demurrage charges mounting. And that might sometimes mean work-weeks of more than 42 hours.

The Wage and Hour Division ruled against this plan. The men couldn't set themselves up as independent contractors. They must have time and a half for everything more than 42 hours. The management had to go outside the plant for labor. The workers lost their chance at better pay.

The same kind of thing happened in a wholesale firm. The company gave two of its regular employees an assignment to paint a fruit room, when they asked for a chance to earn extra money. They did the job over the week-end and got \$10 each for it. Since the painting was unrelated to their regular work, the company gave them separate checks and kept no time-sheet. For this failure, the firm was accused of technical falsification of records. Later it developed that the employees had spent seven hours painting the room, and so were paid about \$1.40 an hour. Outsiders would have done the job for 50 cents an hour.

### New buildings are different

ONE final example will show the confusion which the Wage and Hour Law can create in an industry. Building contractors need not worry about their employees' being covered by the F.L.S.A. if they are working on a new building. But, if the job is repairing or remodeling an old building used in producing goods for interstate commerce, the contractors' employees are covered. This includes office workers who have anything to do with the job as well as actual construction laborers.

If a contractor goes into another state to erect a building, key employees whom he takes to that state with him are covered. Workers hired locally in that state are not covered, however, unless the job is a remodeling one on a building used to produce goods for interstate commerce. The incidence of gray hairs among contractors should increase markedly with this ruling.

Experience in these actual cases should arouse every business man—and every worker who wants to see industry and commerce prosper in order to increase his own chances of getting ahead. Even persons in enterprises not directly affected by the Fair Labor Standards Act ought to be interested, because attempts are being made to obtain state laws patterned after the national one.

It seems obvious that the Wage and Hour Law has not done the humanitarian job its advocates said it would do. The original meritorious purpose of wiping out the sweatshop has taken a back seat. In its place has appeared a mechanism attempting to regulate all of industry in the name of social welfare. Many suspected when the law went into effect that something of this kind might happen. But only with real case histories has it been possible to understand fully the injustices of the Fair Labor Standards Act of 1938.

# HOW WE SAVED *Pandora's Life*

*by Westinghouse*



• *If you have been one of the millions of visitors to the New York World's Fair you, of course, know that Pandora is the name of the cute Panda playing such a star role at the Exposition.*

• *Spectators who crowd around her cage these days little realize that if it hadn't been for the quick action and resourcefulness of our air conditioning engineers they might never have seen this rare animal that was brought all the way from the Himalayan Mountains.*

• *While recognizing that there was quite a bit of difference between the climate of Pandora's home land and that of Flushing Meadows, those in charge hoped that she would be able to adjust herself to the change. But she just couldn't.*

• *What happened was that she refused to eat or perform; and it became quite evident that she would probably die unless something was done about the weather in a hurry.*

• *With no time to lose, our air conditioning engineers were called in and asked to duplicate the cool, stimulating climate of Pandora's*

native habitat. So well did they succeed that immediately she started to perk up, and in no time was her playful self, keeping the crowd in uproars with her antics.

• *This is just one of the hundreds of air conditioning problems that have been put up to our engineers. Generally, when a person thinks of air conditioning he thinks of it in terms of making a home more comfortable, or of seeking escape from summer heat in a restaurant, store or theater.*

• *And yet beyond these now commonly accepted uses you'd be surprised to learn what a varied role our air conditioning is playing in industry.*

*Taking just a few examples at random, we are reminded of the way our equipment helped a pharmaceutical house to step up the manufacture of pills and tablets; of how we aided another laboratory to hasten the cooling of creams and salves for quicker packing. Or take rayon, for example—its manufacture would be almost impossible if it were not for the part air conditioning plays in the drying of the fibres. Air travel, too, is a lot safer because flying instruments are now calibrated more accurately in air conditioned rooms.*

• *Naturally, to produce air conditioning for such a wide variety of applications requires engineering skill of the highest order, plus a range of equipment which extends in our case from a small self contained home unit to a 100 ton compressor.*

• *With such equipment now available, air conditioning is rapidly fulfilling its promise of becoming one of America's leading industries.*





## "Whose Vacation Is This, Anyway?"

**C**AMPING out is fun—if it doesn't last too long. We speak of "roughing it" and brag about the hardships entailed. But only a few years ago it wasn't considered a hardship to live this way. It was the only way most people had to live.

The tin washtub, for instance. It did duty Monday mornings and Saturday nights, and the water was heated in the reservoir at the back of the wood-burning range. Splitting the wood was good exercise—but it was no fun to get up in the middle of cold nights to keep the fire going. And the feeble kerosene lamps, though better than candles, had to be continually cleaned and filled.

Sometimes we have to "rough it" to realize the improvements time has brought—many of them through electricity. Not only electric lights, and automatic heat, and electric appliances to make housekeeping easier, but also automobiles, better roads, better coats and dresses.

Wherever electricity has been put to work in industry, it has brought us better-quality and lower-cost products. And because General Electric scientists, engineers, and skilled workmen are finding still more ways to make electricity useful, we can look forward to still higher living standards in America—to the continued creation of More Goods for More People at Less Cost.

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

# GENERAL ELECTRIC

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NEW YORK WORLD'S FAIR—SEE THE G-E "HOUSE OF MAGIC"—SAN FRANCISCO EXPOSITION

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